

JOHN N. HUGHES
ATTORNEY AT LAW
PROFESSIONAL SERVICE CORPORATION
124 WEST TODD STREET
FRANKFORT, KENTUCKY 40601

REC-10-18-05
OCT 18 2005

TELEPHONE: (502) 227-7270

JNHUGHES@fewpb.net

TELEFAX (502) 875-7059

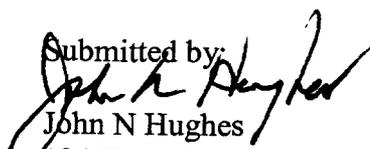
October 18, 2005

Beth O'Donnell
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

Re: Case No. 2005-00325

Dear Ms. O'Donnell:

Please file the attached responses to the Commission's order of August 30, 2005. Two copies of Item 1, which is made up of five separately bound parts, and Item 8 are being submitted because of their voluminous size. A copy of this response has been delivered to the Attorney General.

Submitted by:

John N Hughes
124 West Todd St.
Frankfort, KY 40601
502 227-7270
Attorney for Water Service
Corporation of Kentucky

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

Application of Water Service Corporation)
of Kentucky for an Adjustment of Rates) Case No. 2005-00325
)

FILED
OCT 18 2005
PUBLIC SERVICE COMMISSION

PETITION FOR CONFIDENTIALITY

Water Service Corporation of Kentucky (WSCK) petitions the Commission (“Commission”), pursuant to 807 KAR 5:001, Section 7 and all other applicable law, for confidential treatment of two schedules provided in response to the Commission’s Initial Data Request.. In support of its Petition, WSCK states as follows:

In accordance with its rules and Kentucky law, the Commission requires certain information to be filed in support of an application for rate adjustment. Based on the reasons set forth below, the information in question is entitled to confidential treatment under 807 KAR 5:001, Section 7, and all other applicable law.

Question 3 asks for workpapers and supporting documents related to the pro forma adjustments. Two of those schedules, included in Item 3, sheet 2 of 27 and sheet 4 of 27 contain employee sensitive information about wages and salaries. Item 12(a)(5) also requests similar salary and benefit information. Some of the information on these schedules includes HIPPA restricted information, which has been blacked out. If the information in these schedules is released it will create public awareness of personal information of the employees and will disclose wage rates that may impact the company’s ability to attract and retain employees.

WSCK or Utilities, Inc. do not as a matter of company policy publicly disclose the information described above, except as required by law or pursuant to a court order or subpoena. The company’s internal policies are directed toward non-disclosure of the information in

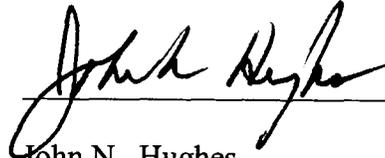
question. In fact, the information will not be disclosed to any personnel, except those who need to know in order to discharge their responsibilities. The information sought by the Commission is not information customarily disclosed to the public and is generally recognized as confidential and proprietary.

There is no significant interest in public disclosure of the attached information. Any public interest in favor of disclosure of the information is outweighed by the competitive interest in keeping the information confidential, thereby enabling WSCK to successfully compete for business in Kentucky and other states. Disclosure of the information in question would put WSCK at a competitive disadvantage. Moreover, the public interest would be best served by the nondisclosure of the materials in question because competition would thereby be promoted.

The information that WSCK seeks to be afforded confidential treatment also constitutes a trade secret under the two prong test of KRS 365.880: a) the economic value of the information is derived by not being readily ascertainable by other persons who might obtain economic value by its disclosure; and, b) the information is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. Both of the statutory tests are met in this instance. Only WSCK and Utilities, Inc. are in a position to know its business operations and financial condition. The economic value of this information is derived by WSCK and its parent maintaining the secrecy of the information, since its competitors could obtain economic value through its disclosure.

Pursuant to 807 KAR 5:001, Section 7(3), temporary confidentiality for the enclosed information should be maintained until the Commission enters an Order as to this Petition. Once the Order regarding confidentiality has been issued, WSCK would have twenty (20) days to seek alternative remedies pursuant to 807 KAR 5:001, Section 7(4).

WHEREFORE, WSKK petitions the Commission to treat as confidential all of the information identified in this Petition.

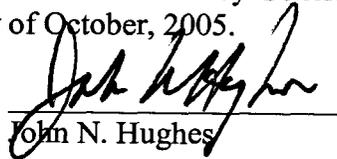


John N. Hughes
124 West Todd Street
Frankfort, Kentucky 40601
(502) 227-7270 (T)
(502) 875-7059 (F)

Attorney for Water Service
Corporation of Kentucky

Certificate of Service:

A copy of this petition was delivered to David Spenard of the Attorney General's Office, 1024 Capital Center Dr, Frankfort, KY 40601 the ~~17~~ day of October, 2005.


John N. Hughes

WATER SERVICE CORPORATION OF KENTUCKY
 Calculation of Pro Forma Operating Expense Charged to Plant

w/p [b-2]

	2004 W-2 (Allocated)	2004 Taxes (Allocated)	2004 Benefits per SE.50 (Allocated)	Total
Bolt, Gregory				
Heck, Travis				
Johnson, Harvey				
Leonard, James				
Mills, Wendell				
Onkst, James				
Partin, Michael				
Pickard, Michael				
Russell, R				
Spurlock Charles				
Turner, John				
Yates Jr., Bobby				
Cox, David (PT)				
Other				
Daniel, Carl				

Total Operating Expense Charged to Plant (from Schedule B)
 Total Allocated Salaries, Taxes, and Benefits (from above)

Percentage of Pro Forma Salaries, Taxes, and Benefits to Charge to Plant

Pro Forma Salaries, Taxes, and Benefits for Operators (from w/p (b))
 Percentage of Pro Forma Salaries, Taxes, and Benefits to Charge to Plant

Pro Forma Operating Expense Charged to Plant

(I) Adjustment to allocation for Daniel, Carl:
 Total taxes
 Allocation (from revised allocations)
 Total allocation taxes

Total benefits
 Allocation (from revised allocations)
 Total allocated benefits

	Total Annualized Salary	FICA 7.65%	FUTA 7,000 @ .8%	SUTA 8,000 @ 7.0%	Total Taxes	2004 Health Insurance	Pension at 3%	401(k) at 4%	2004 Other	Total Benefits
Maintenance										
Boli, Gregory										
Heck, Travis										
Johnson, Harvey										
Leonard, James										
Mills, Wendell										
Onkst, James										
Partin, Michael										
Pickard, Michael										
Russell, R										
Spurlock Charles										
Turner, John										
Yates Jr., Bobby										
Cox, David (PT)										
Other										
Supervisory										
Daniel, Carl										
Total Operator Salary										
Operator Allocation										
Boli, Gregory										
Heck, Travis										
Johnson, Harvey										
Leonard, James										
Mills, Wendell										
Onkst, James										
Partin, Michael										
Pickard, Michael										
Russell, R										
Spurlock Charles										
Turner, John										
Yates Jr., Bobby										
Cox, David (PT)										
Other										
Supervisory										
Daniel, Carl										
Total Operator Allocation										
Office										
Berry, Sandra										
Petrey, Vivian										
Standifer, Reba										
Stanis, Veronica										
Thomas, Pamela										
Other										
Total Kentucky Office Salary										
Total Kentucky Office Allocation										
Oper. (see above)										
Office (see above)										
Computers - per WSC w/p (SE.51)										
Increase in computer salaries										
WSC - per WSC w/p (SE.60 revised)										
Increase in WSC salaries										
Total										
Test Year										
Adjustments (Water/Sewer)										
Test Year - Oper.										
Test Year - Office										
Test Year-WSC (SE.51) Computer Salaries										
Test Year-WSC (SE.60) Taxes										
Test Year-WSC (SE.60) Benefits										
Adjustment to payroll taxes for WSC bonuses:										
Total payroll taxes (from revised SE.60)										
Total WSC salary allocation, including bonuses (from revised SE.60)										
Percentage of payroll taxes to salary										
Total WSC bonus allocation (from revised Code 1)										
Percentage of payroll taxes for bonuses										
Amount of payroll taxes attributable to bonuses										

**WATER SERVICE CORPORATION OF KENTUCKY
FIRST DATA REQUEST OF COMMISSION STAFF
RESPONSE TO ITEM (12)(a)(5)**



5

Payroll Register

WATER SERVICE CORP

Company Code: JCT

Batch: 5728-060

Period Ending: 10/11/2005

Week 40

Pay Date: 10/07/2005

Page 26



Payroll Register

WATER SERVICE CORP

Company Code: JCT

Batch : 5728-060 Period Ending : 10/11/2005 Week 40



Payroll Register

WATER SERVICE CORP

Company Code: JCT

Batch : 5728-060

Period Ending : 10/11/2005

Week 40

Pay Date 10/07/2005

Page 24



WATER SERVICE CORP

Company Code: NKC

Batch : 6058-060

Period Ending : 10/15/2005

Week 41

Pay Date : 10/12/2005

Page 10



Payroll Register

WATER SERVICE CORP

Company Code: **NKC**

Batch : **6058-060**

Period Ending: **10/15/2005**

Week **41**

Pay Date: 10/15/2005

Page 1 of 1





Payroll Register

WATER SERVICE CORP
Company Code: NKC

Batch: 6058-060

Period Ending: 10/15/2005

Week 41

Pay Date: 10/12/2005

Page 6



Payroll Register

WATER SERVICE CORP

Company Code: JCT

Batch : 5728-060

Period Ending : 10/11/2005

Week 40

Pay Date : 10/07/2005

Page 84



Payroll Register

WATER SERVICE CORP

Company Code: JCT

Batch : 5728-060

Period Ending : 10/11/2005

Week 40

Pay Date : 10/07/2005

Page 83



WATER SERVICE CORP

Company Code: JCT

Batch: 5728-060

Period Ending: 10/11/2005

Week 40

Pay Date: 10/07/2005

Page 82



WATER SERVICE CORP
Company Code: NKC

Batch : 6058-060 Period Ending : 10/15/2005 Week 41
Pay Date : 10/12/2005 Page 28

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

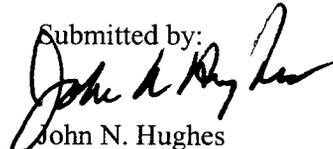
In the Matter of:

FILED
OCT 3 8 2005
FRANKFORT, KY

APPLICATION OF WATER)
SERVICE CORPORATION OF) CASE NO. 2005-00325
KENTUCKY FOR AN)
ADJUSTMENT OF RATES)

RESPONSE TO FIRST DATA REQUEST OF COMMISSION STAFF TO
THE WATER SERVICE CORPORATION OF KENTUCKY

Water Service Corporation of Kentucky ("Water Service"), by counsel, provides the following responses to the Commission's Order of August 30, 2005.

Submitted by:


John N. Hughes
124 West Todd St.
Frankfort, KY 40601

Attorney for Water Service
Corporation of Kentucky

Certificate:

I certify that a copy of this response was delivered to the Attorney General, 1024 Capital Center Dr. , Frankfort, KY 40601, the 18th day of October, 2005.


John N. Hughes

1. Provide monthly usage data for each customer in gallons for the calendar year 2004. The usage data should be on a computer disc in Microsoft Excel 97 format.

Response: Witness – Kirsten Weeks. Please see the enclosed consumption data for calendar year 2004, tab 1. The usage data is not available in Microsoft Excel 97 format.

WATER SERVICE CORPORATION OF KENTUCKY

RESPONSE TO ITEM 1 – 5 VOLUMES

THREE COPIES PROVIDED

2. a. Provide the current organization chart, showing the relationship between Water Service and any affiliated companies. Include the relative positions all entities and affiliates with which Water Service routinely has business transactions.
- b. Provide the impact the pending stock purchase of Nuon Global Solutions USA, Inc. ("Nuon USA") will have upon the organization chart provided in 2(a).

Response:

- a. Witness – Kirsten Weeks. Please see the enclosed organization chart, tab 2.
- b. Witness – Kirsten Weeks. The only difference in the organization chart would be at the top. Nuon Global Solutions - USA, Inc. will change to Hydro Star, LLC.

**WATER SERVICE CORPORATION OF KENTUCKY
FIRST DATA REQUEST OF COMMISSION STAFF
RESPONSE TO ITEM (2)(a)**

3. Provide a complete copy of the workpapers, calculations, and assumptions Water Service used to develop its pro forma test-period information.

Response: Witness – Kirsten Weeks. Please see the enclosed workpapers used to develop pro forma test-period information, labeled item (3), sheets 1 through 27, tab 3. In addition, when the Water Service Corporation of Kentucky (WSCK) acquisition was booked, it relied on a compilation performed by Gamble, Givens, and Moody (enclosed as item (3), sheets 1 through 6) for verification of fixed asset balances. The Company booked these fixed asset balances and the prior owner's accumulated depreciation balances. The Company, in this proceeding, has also included organizational costs that were not booked at the time of acquisition. However, the prior owner chose to report accumulated depreciation balances at tax depreciation rates, which depreciates plant too quickly. This creates overstated accumulated depreciation and understated net plant. Depreciation has been recalculated (and restated) based on its date in service, at a 2.0% depreciation rate for water and sewer plant (excluding organization), and a 25% depreciation rate for vehicles and computers. These depreciation rates and accumulated depreciation balances are calculated in the ongoing property record document given in response here (see item (3), sheets 1 through 27, specifically sheets 20-22). The amortization of contributions and advances in aid of construction has also been restated. Finally, allocations have been restated to properly reflect the allocation basis. In the 2004 Water Service Corporation Distribution of Expenses book, sewer customers had been added in to the customer equivalent factor, which is the basis for most of the Company's allocations. However, WSCK does not have any of its own sewer customers; it only performs operations for some of the city of Clinton's sewer customers. Therefore, these customers should not be included in the Company's customer equivalent factor. Revised allocations were computed based on the proper customer equivalent factor. Item (3), sheets 1 through 27, specifically pages 5 and 6 show the revised allocation to WSCK and where the adjustment was made. For example, under the first heading, SE.51, most of the allocations are based on Code 4 (please refer to the allocation book provided with the application). Code 4 does not use customers as a basis for allocation, so the revised amounts are the same as the original allocation. However, if you were to look at account

4032098, Depreciation – Computer, you will see that this allocation must be based on a customer equivalent factor, because there is a difference between the original allocation and the revised allocation. In the “Comments” column, you will see the comment “in w/p [f]”. Since the filing contains depreciation restated on a going forward basis based on the plant in service at the time of the test year, there is no need to restate the trial balance for the adjustment. The correct depreciation balance will be reflected through the Company’s depreciation workpaper. This is also the situation, with salaries, benefits, and payroll taxes. All other allocation adjustments were made to the Company’s trial balance, which has been enclosed as item (3), pages 1 through 12.

WATER SERVICE CORPORATION OF KENTUCKY

w/p [a]

Uncollectible Accounts

Water

Best Year / Present Revenues

\$ 1,371,669

Uncollectible Accounts

\$ 16,783

Uncollectible %

1.22%

Proposed Revenues

\$ 2,197,092

Uncollectible %

1.22%

Uncollectible Accounts

\$ 26,883

	Total Annualized Salary	FICA 7.65%	FUTA 7,000 @ .8%	SUTA 8,000 @ 7.0%	Total Taxes	2004 Health Insurance	Pension at 3%	401(k) at 4%	2004 Other	Total Benefits
Maintenance										
Bolt, Gregory										
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Amount of payroll taxes attributable to bonuses										

CONFIDENTIAL

WATER SERVICE CORPORATION OF KENTUCKY
Using 2004 Customer Equivalent Numbers

w/p [b-1]

Allocation of Kentucky Office

	<u>C.E.</u>	<u>Cust %</u>
Water Service Corporation of Kentucky	4,085	100.00%
Total	<u>4,085</u>	<u>100.00%</u>

WATER SERVICE CORPORATION OF KENTUCKY
 Calculation of Pro Forma Operating Expense Charged to Plant

w/p [b-2]

	2004 W-2 (Allocated)	2004 Taxes (Allocated)	2004 Benefits per SE.50 (Allocated)	Total
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Partin, Michael				
Pickard, Michael				
Russell, R				
Spurlock Charles				
Turner, John				
Yates Jr., Bobby				
Cox, David (PT)				
Other				
Daniel, Carl				

Total Operating Expense Charged to Plant (from Schedule B)
 Total Allocated Salaries, Taxes, and Benefits (from above)

Percentage of Pro Forma Salaries, Taxes, and Benefits to Charge to Plant

Pro Forma Salaries, Taxes, and Benefits for Operators (from w/p [b]) *
 Percentage of Pro Forma Salaries, Taxes, and Benefits to Charge to Plant

Pro Forma Operating Expense Charged to Plant

- (1) Adjustment to allocation for Daniel, Carl:
 - Total taxes
 - Allocation (from revised allocations)
 - Total allocation taxes

 - Total benefits
 - Allocation (from revised allocations)
 - Total allocated benefits



CONFIDENTIAL

WATER SERVICE CORPORATION OF KENTUCKY
Revised Allocations

w/p [c]

SE.51

Account Number	Account Name	Original Allocation to WSCK	Revised Allocation to WSCK	Difference	Comments
6019045	Computer Salaries	9,730	9,730	-	allocation based on code 4
6369007	Computer Maint	2,727	2,727	-	allocation based on code 4
6369009	Computer-Amort & Prog. Cost	1,021	1,021	-	allocation based on code 4
6369012	Internet Supplier	385	385	-	allocation based on code 4
6759003	Computer Supplies	949	949	-	allocation based on code 4
6759016	Microfilming	734	734	-	allocation based on code 4
6759051	Computer Supplies - Billing	1,141	1,141	-	allocation based on code 4
6759115	Office Comp Phone Line	-	-	-	allocation based on code 4
4032098	Depreciation - Computer	2,602	2,435	167	in w/p [f]
		<u>19,289</u>	<u>19,122</u>	<u>167</u>	

SE.51

Account Number	Account Name	Original Allocation to WSCK	Revised Allocation to WSCK	Difference	Comments
6599090	Other Insurance	<u>68,321</u>	<u>67,228</u>	<u>1,093</u>	in TB - insurance

SE.60

Account Number	Account Name	Original Allocation to WSCK	Revised Allocation to WSCK	Difference	Comments
6019000	Non-Utility Salaries	-	-	-	N/A
6019030	Cap Sal - Admin	-	-	-	N/A
6019045	Sal-Computer	-	-	-	N/A
6019053	Sal-IL Office	-	-	-	N/A
6019050	Salaries - Office	32,097	29,306	2,791	in w/p [b]
6019070	Sal-IL Customer Service	-	-	-	N/A
6019071	Sal-IL Office Exempt	-	-	-	N/A
6708001	Agency Expense	202	185	17	in TB - uncollectibles
6338001	Legal Fees	77	70	7	in TB - outside services
6329002	Audit Fees	3,985	3,638	347	in TB - outside services
6369003	Temp Empl.	34	31	3	in TB - outside services
6369005	Payroll Services	880	804	76	in TB - outside services
6369006	Employ Finder Fees	1,066	973	93	in TB - outside services
6369007	Computer Maint	-	-	-	N/A
6369008	Director Fees	-	-	-	N/A
6369009	Computer-Amort & Prog. Cost	-	-	-	N/A
6319011	Engineering Fees	3	3	-	N/A
6329013	Accounting Studies	-	-	-	N/A
6329014	Tax Return Review	952	869	83	in TB - outside services
6369012	Internet Supplier	-	-	-	N/A
6369090	Other Outside Services	-	-	-	N/A
6049010	Health Ins. Reimb	3,216	3,009	207	in w/p [b]
6049011	Employee Ins. Deductions	(951)	(890)	(61)	in w/p [b]
6049012	Health Costs & Other	78	73	5	in w/p [b]
6049015	Dental Ins. Reimbursements	272	254	18	in w/p [b]
6049020	Pension Contributions	1,462	1,364	98	in w/p [b]
6049050	Health Ins. Premiums	672	629	43	in w/p [b]
6049055	Dental Premiums	19	18	1	in w/p [b]
6049060	Term Life Ins.	135	127	8	in w/p [b]
6049065	Term Life Ins. - OPT	3	3	-	N/A
6049066	Depend Life Ins. - OPT & AFLAC	-	-	-	N/A
6049067	AFLAC	1	1	-	N/A
6049070	ESOP Contributions	1,925	1,796	129	in w/p [b]
6049080	Disability Insurance	56	53	3	in w/p [b]
6049090	Other Emp Pens & Benefits	105	98	7	in w/p [b]
6599090	Other Insurance	-	-	-	N/A
6759001	Publ Subscriptions & Tapes	157	143	14	in TB - office supplies
6759002	Answering Serv	-	-	-	N/A
6759003	Computer Supplies	-	-	-	N/A

6759004	Printing & Blueprints	350	328	22	in TB - office supplies
6759005	Postage	(224)	(224)	-	N/A
6759006	UPS & Air Freight	553	553	-	N/A
6759008	Xerox	319	298	21	in TB - office supplies
6759009	Off Supply Stores	488	457	31	in TB - office supplies
6759010	Reim of Off Emp Exp.	38	35	3	in TB - office supplies
6759011	Envelopes	2,880	2,695	185	in TB - office supplies
6759013	Cleaning Supplies	48	45	3	in TB - office supplies
6759014	Memberships	12	11	1	in TB - office supplies
6759016	Microfilming	-	-	-	N/A
6759007	Printing Customer Service	128	120	8	in TB - office supplies
6759012	Bill Stock	1,084	1,014	70	in TB - office supplies
6759051	Computer Supplies - Billing	-	-	-	N/A
6759090	Other Office Expense	122	114	8	in TB - office supplies
6759110	Office Telephone	81	76	5	in TB - office utilities
6759111	Office Telephone - Long Dist	-	-	-	N/A
6759115	Office Comp Phone Line	-	-	-	N/A
6759120	Office Electric	533	499	34	in TB - office utilities
6759125	Office Water	116	108	8	in TB - office utilities
6759130	Office Gas	168	157	11	in TB - office utilities
6759160	Office Fax Phone Line	-	-	-	N/A
6759190	Office Utilities - Other	-	-	-	N/A
6759135	Operators Telephones	-	-	-	N/A
6759210	Office Cleaning Serv	576	539	37	in TB - office supplies
6759220	Landscaping, Mowing, Snow	621	581	40	in TB - office supplies
6759230	Office Garbage Removal	38	35	3	in TB - office supplies
6759250	Decor & Repaint Structures	-	-	-	N/A
6759260	Repair Off Mach & Heating	54	51	3	in TB - office supplies
6759290	Other Office Maint	1,027	962	65	in TB - office supplies
6759330	Memberships - Company	18	17	1	in TB - miscellaneous
7048050	Employees ED Expenses	58	54	4	in TB - miscellaneous
7048055	Office Education/Train Exp	527	493	34	in TB - miscellaneous
7758370	Meals & Related Exp	119	109	10	in TB - miscellaneous
7758380	Bank Serv Charges	4,570	4,172	398	in TB - miscellaneous
7758390	Other Misc General	303	276	27	in TB - miscellaneous
6759018	Operators - Other Office Exp	57	54	3	in TB - maintenance and repair
6759430	Sales/Use Tax Exp.	-	-	-	N/A
6509090	Other Trans. Exp.	-	-	-	N/A
4032090	Depreciation - Office Struct.	1,476	1,381	95	in w/p [f]
4032091	Depreciation - Office Furn.	1,460	1,367	93	in w/p [f]
4032093	Depreciation - Telephones	59	56	3	in w/p [f]
4032098	Depreciation - Computer	-	-	-	N/A
4081303	Franchise Tax	3	3	-	N/A
4081121	Real Estate Tax	1,343	1,257	86	in TB - taxes other than income
4081201	FICA Expense	3,400	3,182	218	in w/p [b]
4091060	SUTA-IL	148	139	9	in w/p [b]
4091128	SUTA-NC	-	-	-	N/A
4091050	FUTA	46	43	3	in w/p [b]
4091000	Income Taxes - Federal	-	-	-	N/A
4101000	Deferred Inc. Taxes - Federal	-	-	-	N/A
4191010	Interest Income	-	-	-	N/A
4131020	Rental Income	-	-	-	N/A
4141040	Sale of Trans Equipment	-	-	-	N/A
4192000	Interest - Interco.	8,881	8,450	431	in TB - interest
4201000	Interest During Const	-	-	-	N/A
4261000	Misc. Income	(346)	(324)	(22)	in TB - miscellaneous
4272090	S/T Int Exp Other	(62)	(58)	(4)	in TB - interest
		<u>77,518</u>	<u>71,682</u>	<u>5,836</u>	

Rate Case Expense

	Total
Legal Fees	20,000
Customer Notices (2 notices):	
Postage 8,389 = customers x \$0.37	6,208
Stock 8,389 = notices x (.0526)	883
Fed Ex, mailings, postage, and miscellaneous costs	15,000

	Personnel	Cost	# of Trips/ Nights	
Travel				
Airfare	2	350	3	2,100
Hotel/Meals	2	180	6	2,160
Rental Car		200	3	600

Water Service Personnel

	hours	rate	\$
KEW	750	\$ 39	29,250
SWD	250	\$ 29	7,250
SML	100	\$ 73	7,300
LAC	25	\$ 96	2,400

Total 46,200

Cost of Capital Witness (AUS Consultants) 25,000

Total Cost of current case 118,151

Amortized over 3 years 3

Amortization Expense per year \$ 39,384

Water	Sewer
\$ 39,384	\$ -

WATER SERVICE CORPORATION OF KENTUCKY
Calculation of Taxes Other Than Income Taxes

w/p [e]

Water

Test Year

Utility/Commission Tax	\$	11,453
Real Estate Tax		63,038
Personal Property Tax		2,209
Gross Receipts Tax		-
Franchise Tax		11,943
Payroll Taxes		47,659
		<hr/>
Total	\$	136,302

Pro Forma Present

Payroll Tax Increase		7,469
		<hr/>
Adjustment	\$	<u>7,469</u>

Pro Forma Proposed

Gross Receipts Increase	\$	141,983
		3.00%
		<hr/>
Adjustment	\$	<u>4,259</u>
		<hr/>
Utility/Commission Tax Increase		141,983
		0.77%
		<hr/>
		<u>1,088</u>

WATER SERVICE CORPORATION OF KENTUCKY
 Depreciation Expense

w/p [f]

		<u>Water</u>
Gross Plant		\$ 6,994,408
Add:		
Pro forma projects		995,597
Actual and estimated general ledger additions		175,388
Actual and estimated capitalized time additions		64,299
Less:		
Land		(20,044)
Organization		(163,991)
Computers		(13,282)
Pro forma project retirements		(559,367)
Vehicles		(399,123)
Net:		<u>\$ 7,073,886</u>
Plant Depreciation @	2.00%	<u>\$ 141,478</u>
Vehicles		399,123
Vehicle Depreciation @	25.00%	<u>\$ 99,781</u>
Computers		13,282
Computer Depreciation @	25.00%	<u>\$ 3,320</u>
Depreciation allocated from WSC		5,239
Total Depreciation		<u><u>\$ 249,818</u></u>
CIAC		\$ (58,029)
Amortization @	2.00%	<u><u>\$ (1,161)</u></u>
AIAC		\$ (113,081)
Amortization @	2.00%	<u><u>\$ (2,262)</u></u>

WATER SERVICE CORPORATION OF KENTUCKY
Calculation of Income Taxes

Item (3), Sheet 10 of 27 w/p [g]

<u>WATER</u>	<u>Pro Forma Present</u>	<u>Pro Forma Proposed</u>
<u>State Income Taxes</u>		
Total Revenue	\$ 1,391,624	\$ 2,206,947
Maintenance Expense	689,141	689,141
General Expense	508,081	508,081
Depreciation & Amortization	246,396	246,396
Taxes Other Than Income	143,771	149,118
Income from Management Services	(25,629)	(25,629)
Interest Expense	211,741	211,741
Taxable Income	\$ (381,875)	\$ 428,101
State Tax Rate		
First \$25,000 @ 4.0%	(15,275)	1,000
\$25,001 to \$50,000 @ 5.0%		1,250
\$50,001 to \$100,000 @ 6.0%		3,000
\$100,001 to \$250,000 @ 7.0%		10,500
Over \$250,000 @ 8.0%		14,248
Total State Income Taxes	<u>\$ (15,275)</u>	<u>\$ 29,998</u>
<u>Federal Taxes</u>		
Taxable Income before taxes	\$ (381,875)	\$ 428,101
Less: State I/T	(15,275)	29,998
Federal Taxable Income	(366,600)	398,103
Federal Tax Rate	34%	34%
Total Federal Taxes	<u>\$ (124,644)</u>	<u>\$ 135,355</u>

UTILITIES, INC. AND SUBSIDIARIES
Capital Structure at December 31, 2004

w/p [h-1]

	December 31, 2004	Annual Interest Expense	Capital Structure
<u>COMMON SHAREHOLDERS' EQUITY:</u>			
Common shares, \$.10 par value; authorized 1,000 and; 20,000,000 shares, issued 1,000 and 6,524,104 shares, respectively; 0 and 245,490 shares reserved for stock options, respectively	\$ 100		
Paid-in capital	24,261,656		
Retained earnings (\$42,152,239 restricted at December 31, 2003)	67,825,751		
Note receivable from parent	(2,650,000)		
Other Comprehensive Income	(473,910)		
Total Common Shareholder's Equity	\$ 88,963,597		44.09%
<u>LONG-TERM DEBT:</u>			
Collateral trust notes -			
5.41%, \$7,142,857 due in annual installments beginning in 2006 through 2012	\$ 50,000,000	2,705,000	
9.16%, \$1,000,000 due in annual installments through 2006	2,000,000	183,200	
9.01%, \$1,500,000 due in annual installments through 2007	4,500,000	405,450	
7.87%, due June 1, 2005	15,000,000	1,180,500	
8.42%, \$5,857,143 due in annual installments beginning in 2009 through 2015	41,000,000	3,452,200	
Other long-term debt -			
8.10% to 8.96% promissory notes payable to bank due in monthly installments through 2017	303,215	26,152	
Amortization of Debt and Acquisition Expense		254,504	
Total Long-Term Debt	\$ 112,803,215	\$ 8,207,006	55.91%
TOTAL CAPITALIZATION	\$ 201,766,812		100.00%
COST OF DEBT	7.28%		

WATER SERVICE CORPORATION OF KENTUCKY

w/p [h]

Pro Forma Interest Expense

	<u>Water</u>
Pro Forma Present Rate Base	5,205,581
Debt Ratio	55.91%
Embedded Cost of Debt	7.28%
Pro Forma Interest Expense	<u>211,741</u>

WATER SERVICE CORPORATION OF KENTUCKY
Calculation of Working Capital

Item (3), Sheet 13 of 27 w/p (ii)

		<u>Water</u>
Test Year		
Maintenance Expenses		\$ 659,199
General Expenses		393,433
Taxes Other Than Income		136,302
Total		<u>\$ 1,188,934</u>
Working Capital	45/360	<u>\$ 148,617</u>
Pro Forma Present		
Maintenance Expenses		\$ 689,141
General Expenses		508,081
Taxes Other Than Income		143,771
Total		<u>\$ 1,340,992</u>
Working Capital	45/360	<u>\$ 167,624</u>

W/p [ij]

Project Description	Costs through Jul-05	Additional Cost to Complete	Total Cost of Project	Estimated Date of Completion	W/O Number	Database Number	Project Status
Replace 100 year old clear well tank (engineering)	\$ 1,113	\$ 32,958	\$ 34,070	Dec-05	160-0162-115-05-01	669	Open
Replace 100 year old clear well tank (generator)	-	56,784	56,784	Dec-05	160-0162-115-05-01	669	Open
Replace 100 year old clear well tank (building and site work)	-	63,598	63,598	Dec-05	160-0162-115-05-01	669	Open
Replace 100 year old clear well tank (electrical)	-	39,749	39,749	Dec-05	160-0162-115-05-01	669	Open
Replace 100 year old clear well tank (bolted steel clear well)	-	111,853	111,853	May-06	160-0162-115-05-01	669	Open
Replace 100 year old clear well tank (stainless steel aerator)	-	28,392	28,392	May-06	160-0162-115-05-01	669	Open
Replace 100 year old clear well tank (high service booster pumps)	-	28,392	28,392	May-06	160-0162-115-05-01	669	Open
Replace 100 year old clear well tank (telemetering and piping)	-	56,784	56,784	May-06	160-0162-115-05-01	669	Open
Rebuild 100 meter base settings	18,744	29,048	47,792	Dec-05	160-0162-115-05-02	2686	Open
Avondale project	19,607	-	19,607	Jun-05	160-0170-115-02-02	898	Completed
Install filter rewash valves	50,416	-	50,416	Jun-05	160-0170-115-04-02	682	Completed
Rebuild 100 meter base settings	14,641	13,805	28,446	Nov-05	160-0170-115-05-01	1714	Open
Replace 10% of WSK's water meters	23,698	8,570	32,268	Nov-05	160-0170-115-05-02	2685	Open
Replace 2" water main at 42nd St and Winchester Ave	102	28,693	28,794	Dec-05	160-0170-115-05-03	2678	Open
Looping 6" main at 35th St and Dorchester Ave	1,990	20,315	22,304	Dec-05	160-0170-115-05-04	2679	Open
46th St 6" water main extension	6,465	17,345	23,810	Dec-05	160-0170-115-05-05	2680	Open
Replace valve actuators in pipe gallery	-	48,000	48,000	Dec-05		2689	Open
Resurface WTP driveway	-	12,500	12,500	Sep-05		2675	Open
Replace filter backwash troughs	-	52,475	52,475	Aug-05		2672	Submitted
Install generators @ 3 mgd surface at WTP	-	131,400	131,400	Dec-05		2583	Submitted
Replace filter pump starters and plant electrical panel	-	9,500	9,500	Dec-05		2674	Capital planning
CL17 free chlorine process analyzer	-	2,453	2,453	Dec-05			Capital planning
Lab stirrer, 6 paddle, 120 vac	-	2,238	2,238	Dec-05			Capital planning
Laboratory turbidimeter	-	1,553	1,553	Dec-05			Capital planning
KTO: Dr 5000 Spectro	-	5,320	5,320	Dec-05			Capital planning
Replace building roof in Middlesboro	-	55,000	55,000	Dec-05			Capital planning
Repair/replace building roof in Clinton	-	2,100	2,100	Dec-05			Capital planning
	\$ 136,774	\$ 801,723	\$ 995,597				

Note: Project 669 has been broken out into eight separate components. Four of these components are expected to be completed by the estimated hearing date.

WATER SERVICE CORPORATION OF KENTUCKY
Retirements Made for Pro Forma Plant

w/p [k]

Project Description	Total Cost of Project	75% Water Retirement
Replace 100 year old clear well tank (engineering)	\$ 34,070	\$ 25,553
Replace 100 year old clear well tank (generator)	56,784	42,588
Replace 100 year old clear well tank (building and site work)	63,598	47,699
Replace 100 year old clear well tank (electrical)	39,749	29,812
Replace 100 year old clear well tank (bolted steel clear well)	111,853	83,890
Replace 100 year old clear well tank (stainless steel aerator)	28,392	21,294
Replace 100 year old clear well tank (high service booster pumps)	28,392	21,294
Replace 100 year old clear well tank (telemetry and piping)	56,784	42,588
Rebuild 100 meter base settings	47,792	35,844
Rebuild 100 meter base settings	28,446	21,335
Replace 10% of WSCK's water meters	32,268	24,201
Replace 2" water main at 42nd St and Winchester Ave	28,794	21,596
Replace valve actuators in pipe gallery	48,000	36,000
Resurface WTP driveway	12,500	9,375
Replace filter backwash troughs	52,475	39,356
Replace filter pump starters and plant electrical panel	9,500	7,125
CL17 free chlorine process analyzer	2,453	1,839
Laboratory turbidimeter	1,553	1,164
KTO: Dr 5000 Spectro	5,320	3,990
Replace building roof in Middlesboro	55,000	41,250
Repair/replace building roof in Clinton	2,100	1,575
	<u>\$ 688,722</u>	<u>\$ 559,367</u>

WATER SERVICE CORPORATION OF KENTUCKY
General Ledger Plant Additions

w/p []

Account Number	Description	Invoiced Additions through July	Estimated Additions from August through December	Total Additions (Invoiced and Estimated)
3043021	Structures & Improvements (Pump Pit)	788.67	563.34	1,352.01
3113025	Electric Pumping Equipment	3,353.93	2,395.66	5,749.59
3204032	Water Treatment Equipment	143.83	102.74	246.57
3305042	Distrib. Reservoirs & Standpipes	409.75	292.68	702.43
3315043	Transmission & Distribution Mains	1,852.45	1,323.18	3,175.63
3335045	Service Lines	3,644.28	2,603.06	6,247.34
3345046	Meters	10,769.67	7,692.62	18,462.29
3355048	Hydrants	1,385.19	989.42	2,374.61
3406090	Office Structures & Improvements	263.94	188.53	452.47
3406091	Office Furniture & Equipments	318.00	227.14	545.14
3446095	Laboratory Equipment	397.60	284.00	681.60
3466094	Tools, Shop, & Misc Equipment	77,042.03	55,030.02	132,072.05
3406020	Mini Computers	1,814.48	1,296.06	3,110.54
3406120	Micro Sys Cost	125.82	89.87	215.69
	Total	102,309.64	73,078.31	175,387.95

WATER SERVICE CORPORATION OF KENTUCKY
 Capitalized Time Additions for Projects

w/p [m]

Account Number	Description	Capitalized Time through July 2005	Estimated Additions from August through December	Total Additions (Invoiced and Estimated)
3113025	Electric Pumping Equipment	171.00	122.14	293.14
3204032	Water Treatment Equipment	1,311.00	936.43	2,247.43
3305042	Distrib. Reservoirs & Standpipes	514.50	367.50	882.00
3315043	Transmission & Distribution Mains	20,320.50	14,514.64	34,835.14
3335045	Service Lines	2,451.00	1,750.71	4,201.71
3345047	Meter Installations	12,739.50	9,099.64	21,839.14
	Total	37,507.50	26,791.07	64,298.57

WATER SERVICE CORPORATION OF KENTUCKY
Plant Restatement
Through Acquisition

w/p [0]

	Year Placed in Service	Date Acq.	Cost	Years in Service	Depr. Rate	Acc. Depr.	Net Plant	Fully Deprec.
<u>Plant</u>								
Land	1981	1/1/1981	3,257.48	21.25	0.0%	-	3,257.48	No
Land	1981	1/1/1981	596.00	21.25	0.0%	-	596.00	No
Land	1981	1/1/1981	1,234.50	21.25	0.0%	-	1,234.50	No
Common	1985	11/21/1985	13,478.20	17.25	2.0%	4,649.98	8,828.22	No
Common	1985	11/21/1985	185,476.30	17.25	2.0%	63,989.32	121,486.98	No
Common	1985	11/21/1985	2,641.38	17.25	2.0%	911.28	1,730.10	No
Common	1985	11/21/1985	6,336.72	17.25	2.0%	2,186.17	4,150.55	No
Common	1985	11/21/1985	30,123.53	17.25	2.0%	10,392.62	19,730.91	No
Common	1985	11/21/1985	194,242.01	17.25	2.0%	67,013.49	127,228.52	No
Common	1985	11/21/1985	25,622.80	17.25	2.0%	8,839.87	16,782.93	No
Common	1985	11/21/1985	334,189.62	17.25	2.0%	115,295.42	218,894.20	No
Common	1985	11/21/1985	13,680.34	17.25	2.0%	4,719.72	8,960.62	No
Common	1985	11/21/1985	10,164.72	17.25	2.0%	3,506.83	6,657.89	No
Common	1985	11/21/1985	312,686.93	17.25	2.0%	107,876.99	204,809.94	No
Common	1985	11/21/1985	125,585.14	17.25	2.0%	43,326.87	82,258.27	No
Common	1985	11/21/1985	2,264,076.47	17.25	2.0%	781,106.38	1,482,970.09	No
Common	1985	11/21/1985	283,658.51	17.25	2.0%	97,862.19	185,796.32	No
Common	1985	11/21/1985	40,452.80	17.25	2.0%	13,956.22	26,496.58	No
Common	1985	11/21/1985	515,437.63	17.25	2.0%	177,825.98	337,611.65	No
Common	1985	11/21/1985	78,560.82	17.25	2.0%	27,103.48	51,457.34	No
Common	1985	11/21/1985	370,692.25	17.25	2.0%	127,888.83	242,803.42	No
Common	1985	11/21/1985	70,195.28	17.25	2.0%	24,217.37	45,977.91	No
Common	1985	11/21/1985	145,967.76	17.25	2.0%	50,358.88	95,608.88	No
Common	1985	11/21/1985	19,188.32	17.25	2.0%	6,619.97	12,568.35	No
Common	1985	11/21/1985	129,343.47	17.25	2.0%	44,623.50	84,719.97	No
Common	1985	11/21/1985	21,885.34	17.25	2.0%	7,550.44	14,334.90	No
Common	1997	7/31/1997	6,000.81	5.25	2.0%	630.09	5,370.72	No
Common	1997	7/31/1997	677.84	5.25	2.0%	71.17	606.67	No
Common	1997	7/31/1997	39,951.21	5.25	2.0%	4,194.88	35,756.33	No
Common	1997	7/31/1997	18,022.24	5.25	2.0%	1,892.34	16,129.90	No
Common	1997	7/31/1997	29,151.79	5.25	2.0%	3,060.94	26,090.85	No
Common	1997	7/31/1997	34,478.84	5.25	2.0%	3,620.28	30,858.56	No
Common	1997	7/31/1997	682.50	5.25	2.0%	71.66	610.84	No
Common	1997	7/31/1997	33,053.68	5.25	2.0%	3,470.64	29,583.04	No
Common	1997	7/31/1997	6,843.71	5.25	2.0%	718.59	6,125.12	No
Common	1997	7/31/1997	12,226.94	5.25	2.0%	1,283.83	10,943.11	No
Common	1997	7/31/1997	337.29	5.25	2.0%	35.42	301.87	No

	Year Placed in Service	Date Acq.	Cost	Years in Service	Depr. Rate	Acc. Depr.	Net Plant	Fully Deprac.
Common	1997	7/31/1997	25,347.95	5.25	2.0%	2,661.53	22,686.42	No
Common	1997	7/31/1997	7,520.74	5.25	2.0%	789.68	6,731.06	No
Common	1997	7/31/1997	20,637.80	5.25	2.0%	2,166.97	18,470.83	No
Common	1997	7/31/1997	3,041.00	5.25	2.0%	319.31	2,721.70	No
Common	1997	7/31/1997	854.21	5.25	2.0%	89.69	764.52	No
Common	1997	7/31/1997	8,920.93	5.25	2.0%	936.70	7,984.23	No
Common	1997	7/31/1997	18,713.80	5.25	2.0%	1,964.95	16,748.85	No
Common	1997	7/31/1997	42,319.97	5.25	2.0%	4,443.60	37,876.37	No
Common	1997	7/31/1997	117,894.63	5.25	2.0%	12,378.94	105,515.69	No
Common	1997	7/31/1997	2,383.00	5.25	2.0%	250.22	2,132.79	No
Common	1997	7/31/1997	454.00	5.25	2.0%	47.67	406.33	No
Land	1997	7/31/1997	840.80	5.25	0.0%	-	840.80	No
Land	1997	7/31/1997	6,853.00	5.25	0.0%	-	6,853.00	No
Land	1997	7/31/1997	628.83	5.25	0.0%	-	628.83	No
Land	1997	7/31/1997	1,025.44	5.25	0.0%	-	1,025.44	No
Land	1997	7/31/1997	5,496.00	5.25	0.0%	-	5,496.00	No
Land	1997	7/31/1997	112.00	5.25	0.0%	-	112.00	No
Vehicle	1997	7/31/1997	91,200.55	5.25	25.0%	91,200.55	-	Yes
Vehicle	1997	7/31/1997	23,193.71	5.25	25.0%	23,193.71	-	Yes
Vehicle	1997	7/31/1997	30,641.95	5.25	25.0%	30,641.95	-	Yes
Vehicle	1997	7/31/1997	3,289.00	5.25	25.0%	3,289.00	-	Yes
Vehicle	1997	7/31/1997	626.00	5.25	25.0%	626.00	-	Yes
Vehicle	1999	7/1/1999	23,723.00	3.25	25.0%	19,274.94	4,448.06	No
Common	2000	12/1/2000	69,976.00	2.25	2.0%	3,148.92	66,827.08	No
Vehicle	2000	1/1/2000	21,601.00	2.25	25.0%	12,150.56	9,450.44	No
Vehicle	2000	3/1/2000	24,098.00	2.25	25.0%	13,555.13	10,542.88	No
Vehicle	2001	3/1/2001	32,326.00	1.25	25.0%	10,101.88	22,224.13	No
Organization	2002		36,282.69	0.25	0.0%	-	36,282.69	No
			<u>6,000,203.17</u>			<u>2,044,103.48</u>	<u>3,956,099.69</u>	

Advances in Aid of Construction

Common	1991	7/15/1991	11,611.30	11.25	2.0%	2,612.54	8,998.76	No
Common	1993	12/15/1993	1,938.50	9.25	2.0%	358.62	1,579.88	No
Common	1995	1/11/1995	5,579.76	7.25	2.0%	809.07	4,770.69	No
Common	1995	3/15/1995	22,218.75	7.25	2.0%	3,221.72	18,997.03	No
Common	1995	3/15/1995	7,500.00	7.25	2.0%	1,087.50	6,412.50	No
Common	1997	7/14/1997	8,730.50	5.25	2.0%	916.70	7,813.80	No
Common	1997	6/30/1997	23,736.03	5.25	2.0%	2,492.28	21,243.75	No
Common	1999	8/25/1999	10,148.14	3.25	2.0%	659.63	9,488.51	No
Common	2000	10/2/2000	1,866.20	2.25	2.0%	83.98	1,782.22	No
Common	2000	4/17/2000	11,617.18	2.25	2.0%	522.77	11,094.41	No
Common	2000	2/16/2000	8,134.17	2.25	2.0%	366.04	7,768.13	No
			<u>113,080.53</u>			<u>13,130.85</u>	<u>99,949.68</u>	

Contributions in Aid of Construction

Common	1988	7/12/1988	9,255.00	14.25	2.0%	2,637.68	6,617.33	No
Common	1990		19,145.65	12.25	2.0%	4,690.68	14,454.97	No
Common	1990		2,885.35	12.25	2.0%	706.91	2,178.44	No
Common	1992	4/12/1992	38,770.04	10.25	2.0%	7,947.86	30,822.18	No
Common	1994	6/26/1994	3,600.00	8.25	2.0%	594.00	3,006.00	No
Common	1997	2/27/1997	592.40	5.25	2.0%	62.20	530.20	No
Common	1998	4/20/1998	6,393.40	4.25	2.0%	543.44	5,849.96	No
Common	1998	4/27/1998	3,543.75	4.25	2.0%	301.22	3,242.53	No
Common	1999	8/31/1999	5,087.76	3.25	2.0%	330.70	4,757.06	No
			<u>89,273.35</u>			<u>17,814.69</u>	<u>71,458.66</u>	

WATER SERVICE CORPORATION OF KENTUCKY
 Plant Restatement
 Through Complete Rate Case

w/p [p]

Plant at Acquisition	Year Placed in Service	Date Acq.	Utility Plant in Service		Years in Service	Depr. Rate	Acc. Depr.	Net Plant	Fully Deprac.
			Total						
Land	1981	1/1/1981	3,257.48		24.5	0.0%	-	3,257.48	No
Land	1981	1/1/1981	596.00		24.5	0.0%	-	596.00	No
Land	1981	1/1/1981	1,234.50		24.5	0.0%	-	1,234.50	No
Common	1985	11/21/1985	13,478.20		20.5	2.0%	5,526.06	7,952.14	No
Common	1985	11/21/1985	185,476.30		20.5	2.0%	76,045.28	109,431.02	No
Common	1985	11/21/1985	2,641.38		20.5	2.0%	1,082.97	1,558.41	No
Common	1985	11/21/1985	6,336.72		20.5	2.0%	2,598.06	3,738.66	No
Common	1985	11/21/1985	30,123.53		20.5	2.0%	12,350.65	17,772.88	No
Common	1985	11/21/1985	194,242.01		20.5	2.0%	79,639.22	114,602.79	No
Common	1985	11/21/1985	25,622.80		20.5	2.0%	10,505.35	15,117.45	No
Common	1985	11/21/1985	334,189.62		20.5	2.0%	137,017.74	197,171.88	No
Common	1985	11/21/1985	13,680.34		20.5	2.0%	5,608.94	8,071.40	No
Common	1985	11/21/1985	10,164.72		20.5	2.0%	4,167.54	5,997.18	No
Common	1985	11/21/1985	312,886.93		20.5	2.0%	128,201.64	184,685.29	No
Common	1985	11/21/1985	125,585.14		20.5	2.0%	51,489.91	74,095.23	No
Common	1985	11/21/1985	2,264,076.47		20.5	2.0%	928,271.35	1,335,805.12	No
Common	1985	11/21/1985	283,658.51		20.5	2.0%	116,299.99	167,358.52	No
Common	1985	11/21/1985	40,452.80		20.5	2.0%	16,585.65	23,867.15	No
Common	1985	11/21/1985	515,437.63		20.5	2.0%	211,329.43	304,108.20	No
Common	1985	11/21/1985	78,560.82		20.5	2.0%	32,209.94	46,350.88	No
Common	1985	11/21/1985	370,692.25		20.5	2.0%	151,983.82	218,708.43	No
Common	1985	11/21/1985	70,195.28		20.5	2.0%	28,780.06	41,415.22	No
Common	1985	11/21/1985	145,967.76		20.5	2.0%	59,846.78	86,120.98	No
Common	1985	11/21/1985	19,188.32		20.5	2.0%	7,867.21	11,321.11	No
Common	1985	11/21/1985	129,343.47		20.5	2.0%	53,030.82	76,312.65	No
Common	1985	11/21/1985	21,885.34		20.5	2.0%	8,972.99	12,912.35	No
Common	1997	7/31/1997	6,000.81		8.5	2.0%	1,020.14	4,980.67	No
Common	1997	7/31/1997	677.84		8.5	2.0%	115.23	562.61	No
Common	1997	7/31/1997	39,951.21		8.5	2.0%	6,791.71	33,159.50	No
Common	1997	7/31/1997	18,022.24		8.5	2.0%	3,063.78	14,958.46	No
Common	1997	7/31/1997	29,151.79		8.5	2.0%	4,955.80	24,195.99	No
Common	1997	7/31/1997	34,478.84		8.5	2.0%	5,861.40	28,617.44	No
Common	1997	7/31/1997	682.50		8.5	2.0%	116.03	566.48	No
Common	1997	7/31/1997	33,063.68		8.5	2.0%	5,619.13	27,444.55	No
Common	1997	7/31/1997	6,843.71		8.5	2.0%	1,163.43	5,680.28	No
Common	1997	7/31/1997	12,226.94		8.5	2.0%	2,078.58	10,148.36	No
Common	1997	7/31/1997	337.29		8.5	2.0%	57.34	279.95	No

Year Placed in Service	Utility Plant in Service		Date Acq.	Years in Service	Depr. Rate	Acc. Depr.	Net Plant	Fully Deprac.
	Total							
1997	Common	25,347.95	7/31/1997	8.5	2.0%	4,309.15	21,038.80	No
1997	Common	7,520.74	7/31/1997	8.5	2.0%	1,278.53	6,242.21	No
1997	Common	20,637.80	7/31/1997	8.5	2.0%	3,508.43	17,129.37	No
1997	Common	3,041.00	7/31/1997	8.5	2.0%	516.97	2,524.03	No
1997	Common	854.21	7/31/1997	8.5	2.0%	145.22	708.99	No
1997	Common	8,920.93	7/31/1997	8.5	2.0%	1,516.56	7,404.37	No
1997	Common	18,713.80	7/31/1997	8.5	2.0%	3,181.35	15,532.45	No
1997	Common	42,319.97	7/31/1997	8.5	2.0%	7,194.39	35,125.58	No
1997	Common	117,894.63	7/31/1997	8.5	2.0%	20,042.09	97,852.54	No
1997	Common	2,383.00	7/31/1997	8.5	2.0%	405.11	1,977.89	No
1997	Common	454.00	7/31/1997	8.5	2.0%	77.18	376.82	No
1997	Land	840.80	7/31/1997	8.5	0.0%	-	840.80	No
1997	Land	6,853.00	7/31/1997	8.5	0.0%	-	6,853.00	No
1997	Land	628.83	7/31/1997	8.5	0.0%	-	628.83	No
1997	Land	1,025.44	7/31/1997	8.5	0.0%	-	1,025.44	No
1997	Land	5,496.00	7/31/1997	8.5	0.0%	-	5,496.00	No
1997	Land	112.00	7/31/1997	8.5	0.0%	-	112.00	No
1997	Vehicle	91,200.55	7/31/1997	8.5	25.0%	91,200.55	-	Yes
1997	Vehicle	23,193.71	7/31/1997	8.5	25.0%	23,193.71	-	Yes
1997	Vehicle	30,641.95	7/31/1997	8.5	25.0%	30,641.95	-	Yes
1997	Vehicle	3,289.00	7/31/1997	8.5	25.0%	3,289.00	-	Yes
1997	Vehicle	626.00	7/31/1997	8.5	25.0%	626.00	-	Yes
1999	Vehicle	23,723.00	7/1/1999	6.5	25.0%	23,723.00	-	Yes
2000	Common	69,976.00	12/1/2000	5.5	2.0%	7,697.36	62,278.64	No
2000	Vehicle	21,601.00	1/1/2000	5.5	25.0%	21,601.00	-	Yes
2000	Vehicle	24,098.00	3/1/2000	5.5	25.0%	24,098.00	-	Yes
2001	Vehicle	32,326.00	3/1/2001	4.5	25.0%	32,326.00	-	Yes
2002	Organization	102,864.30		3.5	0.0%	-	102,864.30	No
2002	Organization	36,282.69		3.5	0.0%	-	36,282.69	No
2002	Common	38,243.82		3.5	2.0%	2,677.07	35,566.75	No
2002	Computers	5,780.15		3.5	25.0%	5,087.63	722.52	No
2002	Vehicle	25,878.91		3.5	25.0%	22,644.05	3,234.86	No
		6,172,970.35				2,491,204.24	3,681,766.11	
2003 Plant Additions								
2003	Common	210,574.95		2.5	2.0%	10,528.75	200,046.20	No
2003	Computers	3,592.20		2.5	25.0%	2,245.13	1,347.08	No
2003	Vehicle	66,712.73		2.5	25.0%	41,695.46	25,017.27	No
2003	Land			2.5	0.0%	-	-	Yes
2003	Organization	22,898.39		2.5	0.0%	-	22,898.39	No
	Subtotal	303,778.27				54,469.33	249,308.94	
2004 Plant Additions								
2004	Common	456,980.03		1.5	2.0%	13,709.40	443,270.63	No
2004	Computers	2,901.96		1.5	25.0%	1,088.24	1,813.73	No
2004	Vehicle	55,831.70		1.5	25.0%	20,936.89	34,894.81	No
2004	Land			1.5	0.0%	-	-	Yes
2004	Organization	1,945.82		1.5	0.0%	-	1,945.82	No
	Subtotal	517,659.51				35,734.52	481,924.99	
	Total	6,994,408.13				2,581,408.10	4,413,000.03	
Advances in Aid of Construction								
1991	Common	11,611.30	7/15/1991	14.5	2.0%	3,367.28	8,244.02	No
1993	Common	1,938.50	12/15/1993	12.5	2.0%	484.63	1,453.88	No
1995	Common	5,579.76	1/11/1995	10.5	2.0%	1,171.75	4,408.01	No
1995	Common	22,218.75	3/15/1995	10.5	2.0%	4,665.94	17,552.81	No
1995	Common	7,500.00	3/15/1995	10.5	2.0%	1,575.00	5,925.00	No
1997	Common	8,730.50	7/14/1997	8.5	2.0%	1,484.19	7,246.32	No

Year Placed in Service	Date Acq.	Utility Plant in Service		Years in Service	Depr. Rate	Acc. Depr.	Net Plant	Fully Deprac.
		Total	Net					
Common	6/30/1997	23,736.03	19,700.90	8.5	2.0%	4,035.13	19,700.90	No
Common	8/25/1999	10,148.14	8,828.88	6.5	2.0%	1,319.26	8,828.88	No
Common	10/2/2000	1,866.20	1,660.92	5.5	2.0%	205.28	1,660.92	No
Common	4/17/2000	11,617.18	10,339.29	5.5	2.0%	1,277.89	10,339.29	No
Common	2/16/2000	8,134.17	7,239.41	5.5	2.0%	894.76	7,239.41	No
	Subtotal	113,080.53	92,599.44			20,481.09	92,599.44	
	Total	113,080.53	92,599.44			20,481.09	92,599.44	
Contributions in Aid of Construction								
Common	7/12/1988	9,255.00	6,015.75	17.5	2.0%	3,239.25	6,015.75	No
Common		19,145.65	13,210.50	15.5	2.0%	5,935.15	13,210.50	No
Common		2,885.35	1,990.89	15.5	2.0%	894.46	1,990.89	No
Common	4/12/1992	38,770.04	28,302.13	13.5	2.0%	10,467.91	28,302.13	No
Common	6/26/1994	3,600.00	2,772.00	11.5	2.0%	828.00	2,772.00	No
Common	2/27/1997	592.40	491.69	8.5	2.0%	100.71	491.69	No
Common	4/20/1998	6,393.40	5,434.39	7.5	2.0%	959.01	5,434.39	No
Common	4/27/1998	3,543.75	3,012.19	7.5	2.0%	531.56	3,012.19	No
Common	8/31/1999	5,087.76	4,426.35	6.5	2.0%	661.41	4,426.35	No
	Subtotal	89,273.35	65,655.89			23,617.46	65,655.89	
Contributions in Aid of Construction 2003 Additions								
Common	2003	(8,249.36)	(7,836.89)	2.5	2.0%	(412.47)	(7,836.89)	No
Common	2003	221.00	209.95	2.5	2.0%	11.05	209.95	No
	Subtotal	(8,028.36)	(7,626.94)			(401.42)	(7,626.94)	
	Total	81,244.99	58,028.95			23,216.04	58,028.95	

WATER SERVICE CORPORATION OF KENTUCKY
Expenses & UPIS Allocated to the City of Clinton Sewer Operations

w/p [q]

<u>Expense Reductions</u>	<u>Amount</u>
Salaries	\$ (16,852)
Payroll taxes	(1,616)
Benefits	(3,792)
Transportation exp.	(1,118)
Vehicle depreciation	(2,252)
Total expense reduction	<u>\$ (25,629)</u>

<u>Rate Base Reductions</u>	<u>Amount</u>
UPIS - Vehicles	\$ (15,884)
Accum. Dep. - Vehicles	11,362
Total rate base reductions	<u>\$ (4,522)</u>

WATER SERVICE CORPORATION OF KENTUCKY
Allocation between subsidiaries

w/p [q][1]

<u>Subdivision</u>	<u>Customer Equivalents</u>	<u>Percent to total</u>
Middlesboro	3,261	79.83%
Clinton	824	20.17%
	<u>4,085</u>	<u>100.00%</u>

WATER SERVICE CORPORATION OF KENTUCKY
Basis for Salary Allocation

w/p [q][2]

<u>Employee</u>	<u>Percent Allocated to WCK</u>	<u>Percent Allocated to Clinton</u>	<u>Percent Allocated to Clinton Sewer Operations</u>	<u>Total Percentage Allocated to Clinton Sewer Operations</u>
Leonard, James	100.00%	20.17%	25.00%	5.04%
Pickard, Michael	100.00%	100.00%	25.00%	25.00%
Turner, John	100.00%	100.00%	25.00%	25.00%
Daniel, Carl	6.22%	20.17%	25.00%	0.31%

	Total Annualized Salary	FICA 7.65%	FUTA 7,000 @ .8%	SUTA 8,000 @ 7.0%	Total Taxes	2004 Health Insurance	Pension at 3%	401(k) at 4%	2004 Other	Total Benefits
Maintenance										
Leonard, James	54,972	4,205	56	560	4,821	4,332	1,649	2,199	387	8,567
Pickard, Michael	24,224	1,853	56	560	2,469	4,332	727	969	387	6,415
Turner, John	30,164	2,308	56	560	2,924	4,332	905	1,207	387	6,830
Supervisory										
Daniel, Carl	153,920	7,682	56	216	7,954	4,332	4,618	6,157	387	15,493
Total Operator Salary	263,280	16,048	224	1,896	18,168	17,328	7,898	10,531	1,548	37,306
Operator Allocation										
Leonard, James	2,772	212	3	28	243	218	83	111	20	432
Pickard, Michael	6,056	463	14	140	617	1,083	182	242	97	1,604
Turner, John	7,541	577	14	140	731	1,083	226	302	97	1,708
Supervisory										
Daniel, Carl	483	24	0	1	25	14	14	19	1	49
Total Operator Allocation	16,852	1,276	31	309	1,616	2,398	506	674	214	3,792

WATER SERVICE CORPORATION OF KENTUCKY
Transportation Allocation

w/p [q][4]

	Amount	Percent to total
Total WSK Operator's Salaries	\$ 406,601	96.02%
Total WSK Operator's Salaries Allocated to City of Clinton Sewer Operations	16,852	3.98%
	<u>\$ 423,453</u>	<u>100.00%</u>
Total WSK Transportation Expense	\$ 28,084	
Percent to Total Allocated to City of Clinton Sewer Operations	3.98%	
Total WSK Transportation Expense Allocated to Clinton Sewer Operations	\$ 1,118	
Total WSK Vehicle Depreciation	\$ 56,586	
Percent to Total Allocated to City of Clinton Sewer Operations	3.98%	
Total WSK Transportation Expense Allocated to Clinton Sewer Operations	\$ 2,252	
Total WSK Vehicle	\$ 399,123	
Percent to Total Allocated to City of Clinton Sewer Operations	3.98%	
Total WSK UPIS Allocated to Clinton Sewer Operations	\$ 15,884	
Total WSK Accumulated Depreciation Vehicle	\$ (285,506)	
Percent to Total Allocated to City of Clinton Sewer Operations	3.98%	
Total WSK Accumulated Depreciation Vehicle Allocated to Clinton Sewer Operations	\$ (11,362)	

**WATER SERVICE CORPORATION OF KENTUCKY
FIRST DATA REQUEST OF COMMISSION STAFF
RESPONSE TO ITEM (3), SHEETS 1 THROUGH 6**



**Gamble
Givens &
Moody LLC**

133 East First North Street, Suite 9
Summerville, SC 29483
Tel: 843.937.9710
Fax: 843.875.4919

www.ggmcpa.com
CPActive@ggmcpa.com

Item (3), Sheet 1 of 6

200 Meeting Street, Suite 101
Charleston, SC 29401
Tel: 843.937.9710
Fax: 843.723.9573

2 Beachwalker Drive, Suite
Kiawah Island, SC 29455
Tel: 843.768.0209
Fax: 843.768.0701

Independent Accountant's Report

To the Stockholders and Members
of U.S. Utilities, Inc. and Affiliates
Charleston, South Carolina

We have compiled the accompanying combining balance sheet of U.S. Utilities, Inc. (an S-Corporation) and affiliates as of July 31, 2001, and the related statement of operations for the seven month period then ended, and the accompanying supplementary information contained in Schedules 1 through 5, which are presented only for supplementary analysis purposes, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures and the statement of cash flows required by generally accepted accounting principles. If the omitted disclosures and statement of cash flows were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

September 26, 2001
Charleston, South Carolina

Gamble Givens & Moody LLC



Utilities of Kentucky, Inc.
Income Statement & Balance Sheet
1/1/01 - 7/31/01

Utilities of Kentucky
Balance Sheet
July 31, 2001

Item (3), Sheet 3 of 6

ASSETS

Current Assets

Checking/Savings

Cash-Fifth Third	\$ 30,116.69
Cash-Middlesboro Federal	3,650.22
Cash-Plant Petty Cash	5,000.00

Total Checking/Savings 38,766.91

Accounts Receivable

Customer Receivables	153,036.65
A/R Accrued Billing	75,046.67

Total Accounts Receivable 228,083.32

Other Current Assets

Due to/from GA Water & Sewer	54,800.00
Due to/from Utilities of SC	220,768.78
Inventory	85,866.15

Total Other Current Assets 361,434.93

Total Current Assets 628,285.16

Fixed Assets

Organizational Costs	36,282.69
Utility Plant in Service	5,963,920.48
Construction WIP	10,880.63
Utility Plant Aquisition Adjust	114,907.25
Accum Depreciation Plant in Service	(2,743,466.04)

Total Fixed Assets 3,382,525.01

TOTAL ASSETS 4,010,810.17

LIABILITIES & EQUITY

Liabilities

Due to/from SC Water & Sewer	1,006,060.65
Due to/from US Utilities	26,461.58
Other Accrued Interest	17,931.46
Accrued Expense Payable	21,106.82
Accrued Liability - Fern Lake	69,254.94
Tax Collections Payable	5,130.48
Customer Deposits	79,816.34
Notes Payable - Auto Loans	74,385.54

Total Current Liabilities 1,300,147.81

See Accountant's Report

Utilities of Kentucky
Balance Sheet
July 31, 2001

Item (3), Sheet 4 of 6

Long Term Liabilities	
Notes Payable - Clinton Bldg	23,000.00
Notes Payable - Carolina First	2,788,918.73
Notes Payable - C. First Late Fees	43,965.85
Acc Int Payable - Carolina First	155,511.14
Total Notes Payable	<u>3,011,395.72</u>
Other Long Term Liabilities	
Customer Advances for Construct	97,453.13
Total Long Term Liabilities	<u>97,453.13</u>
Total Liabilities	4,408,996.66
Equity	
Contribution In Aid of Construct	89,273.35
Common Stock	1,000.00
Retained Earnings	657,302.94
Net Income/(Loss)	(19,489.26)
Prior Period Adjustments	(1,126,273.52)
Total Equity	<u>(398,186.49)</u>
TOTAL LIABILITIES & EQUITY	\$ 4,010,810.17

See Accountant's Report

Asset Depreciation Short Report - Sorted by - ASSET A/C#

Company: UTILITIES OF KENTUCKY

Year End: 12/31/01

Page: 1

Method: 1 - FEDERAL

Pro-Rated 7/ 12

Date: 09/14/01

File: HAUS UTILITIES\ASSETS\UTILITIES OF KENTUCKY

Time: 13:33:55

Range: EQUIPMENT - EQUIPMENT - VEHICLE - VEHICLES

Include: All assets

Date Acq	Description	Meth/Life	Cost	Sec. 179	Depr Basis	Req A/Depr	Curr Depr	End A/D	
ASSET A/C#: EQUIPMENT - EQUIPMENT									
07/31/97	SHOP EQUIP. - MIDDLES	MA200/ 7.00	6,000.81	0.00	6,000.81	4,126.34	310.62	4,436	
07/31/97	SHOP EQUIP - CLINTON	MA200/ 7.00	677.84	0.00	677.84	466.10	35.09	501	
07/31/97	TOOLS SHOP - MIDDLES	MA200/ 7.00	39,951.21	0.00	39,951.21	27,471.66	2,068.04	29,539	
07/31/97	TOOLS SHOP - CLINTON	MA200/ 7.00	18,022.24	0.00	18,022.24	12,392.64	932.91	13,325	
07/31/97	LAB EQUIP - MIDDLES	MA200/ 7.00	29,151.79	0.00	29,151.79	20,045.65	1,509.02	21,554	
07/31/97	POWER EQUIP - MIDDLES	MA200/ 7.00	34,478.84	0.00	34,478.84	23,708.69	1,784.77	25,493	
07/31/97	POWER EQUIP - CLINTON	MA200/ 7.00	682.50	0.00	682.50	469.31	35.33	504	
07/31/97	COMMUNICATION - MIDDLES	MA200/ 7.00	33,053.68	0.00	33,053.68	22,728.71	1,710.99	24,439	
07/31/97	COMMUNICATION - CLINTON	MA200/ 7.00	6,843.71	0.00	6,843.71	4,705.94	354.26	5,060	
07/31/97	MISC EQUIP - MIDDLES	MA200/ 7.00	12,226.94	0.00	12,226.94	8,407.61	632.92	9,040	
07/31/97	MISC EQUIP - CLINTON	MA200/ 7.00	337.29	0.00	337.29	231.93	17.46	249	
Grand totals: EQUIPMENT - EQUIPMENT (11 assets)			181,426.85	0.00	181,426.85	124,754.58	9,391.41	134,145.9	
ASSET A/C#: FURN & FIX - FURNITURE & FIXTURES									
07/31/97	OFFICE FURN - MIDDLES	MA200/ 7.00	25,347.95	0.00	25,347.95	17,430.01	1,312.12	18,742.1	
07/31/97	OFFICE FURN - CLINTON	MA200/ 7.00	7,520.74	0.00	7,520.74	5,171.48	389.31	5,560.7	
07/31/97	OFFICE FURN. - AQUA	MA200/ 7.00	20,637.80	0.00	20,637.80	14,191.17	1,068.30	15,259.4	
07/31/97	OFFICE FURN - MIDDLES	MA200/ 7.00	3,041.00	0.00	3,041.00	2,091.08	157.42	2,248.5	
07/31/97	OFFICE FURN - CLINTON	MA200/ 7.00	854.21	0.00	854.21	587.38	44.22	631.6	
Grand totals: FURN & FIX - FURNITURE & FIXTURES (5 assets)			57,401.70	0.00	57,401.70	39,471.12	2,971.37	42,442.4	
ASSET A/C#: LAND - LAND									
01/01/81	RESERVOIR LAND - MIDDLES	LAND/ 7.00	3,257.48	0.00	3,257.48	0.00	0.00	0.00	
01/01/81	LAND & LAND RIGHTS - MIDDLES	LAND/ 7.00	596.00	0.00	596.00	0.00	0.00	0.00	
01/01/81	LAND SLUDGE TREATMENT - MIDDLES	LAND/ 7.00	1,234.50	0.00	1,234.50	0.00	0.00	0.00	
07/31/97	DISTR. LAND & ROW - MIDDLES	LAND/ 7.00	840.80	0.00	840.80	0.00	0.00	0.00	
07/31/97	LAND & LAND RIGHTS - CLINTON	LAND/ 7.00	6,853.00	0.00	6,853.00	0.00	0.00	0.00	
07/31/97	DISTR. REST & STANDPIPE LD - CLINTO	LAND/ 7.00	628.83	0.00	628.83	0.00	0.00	0.00	
07/31/97	STORES SHOP & GARAGE LD - CLINTON	LAND/ 7.00	1,025.44	0.00	1,025.44	0.00	0.00	0.00	
07/31/97	OFFICE LAND - CLINTON	LAND/ 7.00	5,496.00	0.00	5,496.00	0.00	0.00	0.00	
07/31/97	LAND & LAND RIGHTS - CLINTON	LAND/ 7.00	112.00	0.00	112.00	0.00	0.00	0.00	
Grand totals: LAND - LAND (9 assets)			20,044.05	0.00	20,044.05	0.00	0.00	0.00	
ASSET A/C#: PROPERTY - UTILITY PROPERTY									
11/21/85	POWER & PUMP STRS. - MIDDLE	MSL/20.00	13,478.20	0.00	13,478.20	10,445.61	390.87	10,836.48	
11/21/85	PURIFICATION BLDGS - MIDDLES	SL/45.00	185,476.30	0.00	185,476.30	62,512.45	2,390.59	64,903.04	
11/21/85	POWER & PUMPING STRUCTURE - CLINTON	MSL/20.00	2,641.38	0.00	2,641.38	2,047.08	76.60	2,123.68	
11/21/85	PURIFICATION BLDGS - CLINTON	SL/45.00	6,336.72	0.00	6,336.72	2,135.77	81.88	2,217.45	
11/21/85	WELLS & SPRINGS - CLINTON	MSL/20.00	30,123.53	0.00	30,123.53	23,345.79	873.58	24,219.37	
11/21/85	ELECTRIC PUMP - MIDDLES	SL/45.00	194,242.01	0.00	194,242.01	65,466.76	2,503.56	67,970.32	
11/21/85	ELECTRIC PUMP - CLINTON	SL/45.00	25,622.80	0.00	25,622.80	8,635.90	330.25	8,966.15	
11/21/85	PURIFICATION SYSTEM - MIDDLES	SL/45.00	334,189.62	0.00	334,189.62	112,634.34	4,307.34	116,941.68	
11/21/85	PURIFICATION SYSTEM - CLINTON	SL/40.00	13,680.34	0.00	13,680.34	5,187.15	198.37	5,385.52	
11/21/85	SLUDGE TR EQUIP - MIDDLES	MSL/20.00	10,164.72	0.00	10,164.72	7,877.72	294.78	8,172.50	
11/21/85	DISTR. RESVR & STANDPIPE - MIDDLES	SL/45.00	312,686.93	0.00	312,686.93	105,387.10	4,030.19	109,417.29	
11/21/85	DISTR. & RESR & STANDPIPE - CLINTON	SL/45.00	125,585.14	0.00	125,585.14	42,326.83	1,618.65	43,945.48	
11/21/85	TRANS & DDISTR MAINS - MIDDLES	SL/45.00	2,264,076.47	0.00	2,264,076.47	763,077.62	29,181.43	792,259.05	
11/21/85	TRANS & DDISTR MAINS - CLINTON	SL/45.00	283,658.51	0.00	283,658.51	95,603.39	3,656.04	99,259.43	
11/21/85	TRANS. & DDISTR MAINS - MIDDLES	SL/45.00	40,452.80	0.00	40,452.80	13,634.08	521.39	14,155.47	
11/21/85	SERVICES - MIDDLES	SL/20.00	515,437.63	0.00	515,437.63	390,873.51	14,947.69	405,821.20	
11/21/85	SERVICES - CLINTON	SL/20.00	78,560.82	0.00	78,560.82	59,575.27	2,278.26	61,853.53	
11/21/85	METERS - MIDDLES	MSL/20.00	370,692.25	0.00	370,692.25	287,286.46	10,750.07	298,036.53	
11/21/85	METERS - CLINTON	MSL/20.00	70,195.28	0.00	70,195.28	54,401.28	2,035.66	56,436.94	
11/21/85	METER SETTINGS - MIDDLES	MSL/20.00	145,967.76	0.00	145,967.76	113,125.04	4,233.07	117,358.11	
11/21/85	METER SETTINGS - CLINTON	MSL/20.00	19,188.32	0.00	19,188.32	14,871.01	556.46	15,427.47	
11/21/85	HYDRANTS - MIDDLES	SL/45.00	129,343.47	0.00	129,343.47	43,593.55	1,667.09	45,260.64	
11/21/85	HYDRANTS - CLINTON	SL/45.00	21,885.34	0.00	21,885.34	7,376.16	282.08	7,658.24	
07/31/97	MISC STRUCTURES & IMPROV - MIDDLES	MSL/25.00	8,920.93	0.00	8,920.93	1,248.94	206.97	1,455.91	

Asset Depreciation Short Report - Sorted by ASSET A/C#
 Company: UTILITIES OF KENTUCKY

Year End: 12/31/01 Method: 1 - FEDERAL Page: 2
 Date: 09/14/01

Date Acq	Description	Meth/Life	Cost	Sec. 179	Depr Basis	Includes Section 179		
						Beq A/Depr	Curr Depr	End A/C
ASSET A/C#: PROPERTY - UTILITY PROPERTY								
07/31/97	STRUCT & IMPROV-CLINTON	MSL/25.00	18,713.80	0.00	18,713.80	2,619.93	434.16	3,053.44
07/31/97	OFFICE BLDS - CLINTON	MSL/39.00	42,319.97	0.00	42,319.97	3,752.74	629.38	4,382.12
07/31/97	STRUCT & IMPROV-MIDDLES	MSL/25.00	117,894.63	0.00	117,894.63	16,505.26	2,735.16	19,240.42
07/31/97	STRUC & IMPROV.-MIDDLES	MSL/25.00	2,383.00	0.00	2,383.00	333.62	55.29	388.91
07/31/97	STRUCT. & IMPROV-CLINTON	MSL/25.00	454.00	0.00	454.00	63.56	10.53	74.09
12/01/00	UTIL PLANT	SL/25.00	69,976.00	0.00	69,976.00	233.25	1,623.44	1,856.69
Grand totals: PROPERTY - UTILITY PROPERTY (30 assets)			5,454,348.67	0.00	5,454,348.67	2,316,177.17	92,900.63	2,409,077.34
ASSET A/C#: VEHICLE - VEHICLES								
07/31/97	TRANSPORT. -MIDDLES	M*200/ 5.00	91,200.55	0.00	91,200.55	75,441.09	6,093.66	81,534.02
07/31/97	TRANSPORT. - CLINTON	M*200/ 5.00	23,193.71	0.00	23,193.71	19,185.84	1,549.71	20,735.00
07/31/97	TRANSPORT. -AQUA	M*200/ 5.00	30,641.95	0.00	30,641.95	25,347.02	2,047.37	27,394.58
07/31/97	TRANSPORT. - MIDDLES	M*200/ 5.00	3,289.00	0.00	3,289.00	2,720.66	219.76	2,940.24
07/31/97	TRANSPORT. - CLINTON	M*200/ 5.00	626.00	0.00	626.00	517.83	41.82	559.81
07/01/99	1999 CHEVY BLAZER - MBORO	MA200/ 5.00	23,723.00	0.00	23,723.00	8,060.00	1,711.00	9,771.00
01/01/00	2000 CHEVY PICKUP - CLINTON	MA200/ 5.00	21,601.00	0.00	21,601.00	3,060.00	2,842.00	5,902.00
03/01/00	2000 CHEVY SILVERADO - CLINTON	MA200/ 5.00	24,098.00	0.00	24,098.00	3,060.00	2,842.00	5,902.00
03/01/01 A	2000 FORD UTILITY TRUCK - MBORO	MA200/ 5.00	32,326.00	0.00	32,326.00	0.00	3,060.00	3,060.00
Grand totals: VEHICLE - VEHICLES (9 assets)			250,699.21	0.00	250,699.21	137,392.44	20,407.32	157,799.75
Grand totals for all accounts: (64 assets)			5,963,920.48	0.00	5,963,920.48	2,617,795.31	125,670.73	2,743,466.04

Codes that may appear next to the date acquired include: A - Addition, D - Disposal, T - Traded, MQ - Mid Quarter Applied

Additional Summary Statistics for Assets:

	Cost	Current Year Section 179	Depreciable Basis	Beginning Accum. Depr.	Current Depreciation	Ending Accum. Depr.	Net Book Value
Grand Totals for all assets	5,963,920.48	0.00	5,963,920.48	2,617,795.31	125,670.73	2,743,466.04	3,220,454.44
Less: Inactive Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Disposed Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Traded Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Totals (Active Assets)	5,963,920.48	0.00	5,963,920.48	2,617,795.31	125,670.73	2,743,466.04	3,220,454.44

**WATER SERVICE CORPORATION OF KENTUCKY
FIRST DATA REQUEST OF COMMISSION STAFF
RESPONSE TO ITEM (3), SHEETS 1 THROUGH 12**

WATER SERVICE CORPORATION OF KENTUCKY
 Trial Balance 12/31/04

Item (3)

	Water Yr End 12/31/04	G/L W & S Total 12/31/04	Other	Adjusted 12/31/04	Water	Sewer
3011000	Water Plant	-	-	127,709	127,709	-
3011001	Organization	127,709	-	-	-	-
3021002	Franchises	-	-	-	-	-
3033020	Land & Land Rights (Pump H)	-	-	-	-	-
3036010	Land & Land Rights (Trns & Disc)	20,044	-	20,044	20,044	-
3035040	Land & Land Rights (Pump H)	-	-	-	-	-
3042011	Structures & Improvements (Sour Snp)	1,000	1,000.00	1,000	1,000	-
3043021	Structures & Improvements (Pump P1)	30,380	30,379.54	30,380	30,380	-
3044031	Structures & Improvements (Water TP)	343,401	343,400.52	343,401	343,401	-
3072014	Wells & Springs	40,668	40,667.69	40,668	40,668	-
31113025	Electric Pumping Equipment	380,707	380,707.38	380,707	380,707	-
3113026	Electric Pumping Equipment - NC Only	-	-	-	-	-
3204032	Water Treatment Equipment	497,838	497,838.39	497,838	497,838	-
3305042	Distrb. Reservoirs & Standpipes	466,204	466,204.08	466,204	466,204	-
3315043	Transmission & Distribution Mains	2,669,406	2,669,405.94	2,669,406	2,669,406	-
3315044	Galv Mains - NC Only	-	-	-	-	-
3335045	Service Lines	641,835	641,835.20	641,835	641,835	-
3345046	Meters	463,901	463,900.83	463,901	463,901	-
3345047	Meter Installations	193,837	193,837.33	193,837	193,837	-
3355048	Hydrants	258,069	258,069.33	258,069	258,069	-
3391088	Uniforms	-	-	-	-	-
3406090	Office Structures & Improvements	60,250	60,250.17	60,250	60,250	-
3406091	Office Furniture & Equipments	60,684	60,683.62	60,684	60,684	-
3446095	Laboratory Equipment	30,036	30,035.95	30,036	30,036	-
3466094	Tools, Shop, & Misc Equipment	147,539	147,538.66	147,539	147,539	-
3466097	Communication Equipment	43,245	43,245.39	43,245	43,245	-
3486096	Undistributed Water Plant	69,976	69,976.00	69,976	69,976	-
	Sub-Total	6,546,729	6,546,728.58	6,546,729	6,546,729	-
3511000	Sewer Plant	-	-	-	-	-
3511001	Organization	-	-	-	-	-
3521020	Franchises	-	-	-	-	-
3537002	Land & Land Rights	-	-	-	-	-
3542011	Lit Station	-	-	-	-	-
3547003	Buildings & Structures	-	-	-	-	-
3547012	Spray Irrigation Facilities	-	-	-	-	-
3547096	Undistributed Sewer Plant	-	-	-	-	-
3602006	Sewage Service Lines	-	-	-	-	-
3602007	Force or Vacuum Mains	-	-	-	-	-
3612008	Sewer Mains	-	-	-	-	-
3612010	Manholes	-	-	-	-	-
3804004	Sewer Lagoons	-	-	-	-	-
3804005	Sewage Treatment Equipment	-	-	-	-	-
3824009	Outfall Lines	-	-	-	-	-
3907091	Office Furniture & Equipment	-	-	-	-	-
3937094	Tools, Shop, & Misc Equipment	-	-	-	-	-
3967097	Communication Equipment	-	-	-	-	-
	Sub-Total	-	-	-	-	-
	Transportation	399,123	399,122.55	399,123	399,123	-
3406000	Computers	-	-	-	-	-
3406010	Mainframe Computer	-	-	-	-	-
3406020	Mim Computers	9,545	9,545.40	9,545	9,545	-
3406110	Comp Sys Cost	-	-	-	-	-
3406120	Micro Sys Cost	2,729	2,728.91	2,729	2,729	-
3406160	Micro Sys Amortization	(2,319)	(2,318.63)	(2,319)	(2,319)	-
	Computers	9,956	9,955.68	9,956	9,956	-
1032000	Plant Held for Future Use - Wtr	-	-	-	-	-
1032010	Plant Held for Future Use - Swr; 15 Yr	-	-	-	-	-
	Total Plant Held for Future Use	-	-	-	-	-
	Total Plant	6,955,807	6,955,806.81	6,955,807	6,955,807	-
1052091	Water Plant in Process	48,077	48,077.25	48,077	48,077	-
1051092	Sewer Plant in Process	-	-	-	-	-
1053094	Deferred Plant in Process	-	-	-	-	-

48.077

48.077.25

48.077

48.077

Item (3)

Item (3)

1081000	A/D - Computers	-	-	-	-	-	-
1081010	A/D - Mainframe Comp	(5,236)	(5,236.00)	(5,236)	(5,236)	-	-
1081020	A/D - Mgmt Comp	(285,506)	(285,505.80)	(285,506)	(285,506)	-	-
1082000	A/D - Transportation	(2,186)	(2,186.46)	(2,186)	(2,186)	-	-
1083001	A/D - 3011001	-	-	-	-	-	-
1083002	A/D - 3021002	-	-	-	-	-	-
1083010	A/D - Water Plant	(13,104)	(13,103.53)	(13,104)	(13,104)	-	-
1083014	A/D - 3072014	(25,636)	(25,636.33)	(25,636)	(25,636)	-	-
1083021	A/D - 3043021	(13,899)	(13,899.04)	(13,899)	(13,899)	-	-
1083025	A/D - 3113025	(47,021)	(47,020.73)	(47,021)	(47,021)	-	-
1083031	A/D - 3044031	(105,027)	(105,027.23)	(105,027)	(105,027)	-	-
1083032	A/D - 3204032	(145,739)	(145,739.34)	(145,739)	(145,739)	-	-
1083042	A/D - 3105042	(171,283)	(171,282.97)	(171,283)	(171,283)	-	-
1083043	A/D - 3315043	(1,010,145)	(1,010,145.29)	(1,010,145)	(1,010,145)	-	-
1083045	A/D - 3335045	(492,228)	(492,228.47)	(492,228)	(492,228)	-	-
1083046	A/D - 3335046	(372,495)	(372,495.13)	(372,495)	(372,495)	-	-
1083047	A/D - 3345047	(139,619)	(139,619.22)	(139,619)	(139,619)	-	-
1083048	A/D - 3335048	(59,092)	(59,092.04)	(59,092)	(59,092)	-	-
1083090	A/D - 3406090	(6,725)	(6,724.66)	(6,725)	(6,725)	-	-
1083091	A/D - 3406091	(44,845)	(44,845.43)	(44,845)	(44,845)	-	-
1083094	A/D - 3446094	(88,664)	(88,664.22)	(88,664)	(88,664)	-	-
1083095	A/D - 3446095	(22,756)	(22,756.11)	(22,756)	(22,756)	-	-
1083096	A/D - 3486096	(1,857)	(1,856.69)	(1,857)	(1,857)	-	-
1083097	A/D - 3466097	(31,196)	(31,196.34)	(31,196)	(31,196)	-	-
1084000	A/D - Sewer Plant	-	-	-	-	-	-
	Total A/D	(3,084,261)	(3,084,261.03)	(3,084,261)	(3,084,261)	-	-
1141000	Net Utility PAA - Water	(183,025)	(183,024.56)	(183,025)	(183,025)	-	-
1141010	Util Pll Acq - Water	7,321	7,320.96	7,321	7,321	-	-
1151020	Accoun Prov Util PAA - Water	(175,704)	(175,703.60)	(175,704)	(175,704)	-	-
	Net Utility PAA - Water Plant	-	-	-	-	-	-
1142010	Util Pll Acq - Sewer	-	-	-	-	-	-
1152020	Accoun Prov Util PAA - Sewer	-	-	-	-	-	-
	Net Utility PAA - Sewer Plant	-	-	-	-	-	-
1311001	Cash Unapplied-NSFs	-	-	-	-	-	-
1312075	Cash - Kentucky	7,794	7,794.38	7,794	7,794	-	-
1312076	Cash - Clinton First National Bank	80,926	80,925.74	80,926	80,926	-	-
	Subtotal	88,720	88,720.12	88,720	88,720	-	-
1322000	Special Deposits	6,100	6,100.00	6,100	6,100	-	-

Item (3)

1411000	AR - Customers	158,127	158,127	158,127	158,127
1411002	AR - Customer Accrual	124,924	124,924	124,924	124,924
	Total AR	283,051	283,051	283,051	283,051
1431000	Accumulated Provision - Uncollectibles	-	-	-	-
1621030	Prepaid - Backfills	-	-	-	-
1651090	Other Prepayments	-	-	-	-
	Prepayments	-	-	-	-
1863010	Rate Case Expense - 0	-	-	-	-
1863012	Rate Case Expense - 2	-	-	-	-
1863013	Rate Case Expense - 3	1,420	1,420	1,420	1,420
1863014	Rate Case Expense - 4	-	-	-	-
1863030	Misc Regulatory Comm Exp	-	-	-	-
1863060	Rate Case Exp Amort - 0	-	-	-	-
1863080	Misc Reg Comm Exp - Amort	-	-	-	-
	Regulatory Exp Being Amort	1,420	1,420	1,420	1,420
1862001	Deferred Chgs - Landscaping	-	-	-	-
1862004	Deferred Chgs - Customer Complaints	-	-	-	-
1862020	Def Chgs - Tank Maint & Rep (WTR) - 0	-	-	-	-
1862021	Def Chgs - Tank Maint & Rep (WTR) - 1	-	-	-	-
1862022	Def Chgs - Tank Maint & Rep (WTR) - 2	45,800	45,800	45,800	45,800
1862023	Def Chgs - Tank Maint & Rep (WTR) - 3	47,800	47,800	47,800	47,800
1862024	Def Chgs - Tank Maint & Rep (WTR) - 4	189,806	189,806	189,806	189,806
1862040	Def Chgs - Relocation Expenses	-	-	-	-
1862048	Def Chgs - Other (WTR & SWR)	-	-	-	-
1862049	Def Chgs - Vocational Testing	-	-	-	-
1862054	Def Chgs - TV Sewer Mains	-	-	-	-
1862060	Def Chgs-Tank Maint&Rep (SWR) - 0	-	-	-	-
1862061	Def Chgs-Tank Maint&Rep (SWR) - 1	-	-	-	-
1862062	Def Chgs-Tank Maint&Rep (SWR) - 2	-	-	-	-
1862063	Def Chgs-Tank Maint&Rep (SWR) - 3	-	-	-	-
1862069	Def Chgs-Tank Maint&Rep (SWR) - 9	-	-	-	-
1865001	Amort - Landscaping	-	-	-	-
1865004	Amort - Customer Complaints	-	-	-	-
1865020	Amort - Tank Maint & Rep (WTR) - 0	-	-	-	-
1865021	Amort - Tank Maint & Rep (WTR) - 1	-	-	-	-
1865022	Amort - Tank Maint & Rep (WTR) - 2	(12,208)	(12,208)	(12,208)	(12,208)
1865023	Amort - Tank Maint & Rep (WTR) - 3	(15,940)	(15,940)	(15,940)	(15,940)
1865024	Amort - Tank Maint & Rep (WTR) - 4	(10,314)	(10,314)	(10,314)	(10,314)
1865040	Amort - Relocation Expenses	-	-	-	-
1865048	Amort - Other (WTR & SWR)	-	-	-	-
1865049	Amort - Vocational Testing	-	-	-	-
1865054	Amort - TV Sewer Mains	-	-	-	-
1865060	Amort-Tank Maint&Rep (SWR) - 0	-	-	-	-
1865061	Amort-Tank Maint&Rep (SWR) - 1	-	-	-	-
1865062	Amort-Tank Maint&Rep (SWR) - 2	-	-	-	-
1865063	Amort-Tank Maint&Rep (SWR) - 3	-	-	-	-
1865069	Amort-Tank Maint&Rep (SWR) - 9	-	-	-	-
	Other Deferred Charges	244,944	244,944	244,944	244,944
	Total Assets	4,368,155	4,368,154	4,368,155	4,368,155
1901011	D/T Fed - Other	-	-	-	-
1901012	D/T Fed - Tap Fees	69	69	69	69
1901020	D/T Fed - Rate Case	(449)	(449)	(449)	(449)
1901021	D/T Fed - Dst. Maint.	(77,451)	(77,451)	(77,451)	(77,451)
1901024	D/T Fed - Org Exp	(23,851)	(23,851)	(23,851)	(23,851)
1901025	D/T Fed - Bad Debts - 1986	-	-	-	-
1901026	D/T Fed - Bad Debts - Current	-	-	-	-
1901031	D/T Fed - Depreciation	(239,238)	(239,238)	(239,238)	(239,238)
	Total FED D/T	(340,920)	(340,920)	(340,920)	(340,920)
1902011	D/T ST - Other	-	-	-	-
1902012	D/T ST - Tap Fee Post 2000	15	15	15	15
1902020	D/T ST - Rate Case	(99)	(99)	(99)	(99)
1902021	D/T ST - Dst Maint	(17,142)	(17,142)	(17,142)	(17,142)
1902031	D/T ST - Depreciation	(17,226)	(17,226)	(17,226)	(17,226)
	Total ST D/T	(1,000)	(1,000)	(1,000)	(1,000)
2021000	Common Stock	(1,000)	(1,000)	(1,000)	(1,000)

2111000	Paid In Capital	(2,834,076)	(2,834,076.00)
2112000	Misc. Paid In Capital	(423,681)	(423,681.05)
2151000	Retained Earnings-Prior	(30,303)	(30,302.54)

		(2,834,076)	(2,834,076)
		(423,681)	(423,681)
		(30,303)	(30,303)

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2311000	APF Trade	(9,776)	(9,776.49)	(9,776)	(9,776)	-
2311080	APF-Accrual	(9,787)	(9,786.96)	(9,787)	(9,787)	-
	Accounts Payable Trade	(19,563)	(19,564.45)	(19,563)	(19,563)	-
2312000	Payable to Developer	-	-	-	-	-
2311020	APF - City of Clinton	(67,147)	(67,147.41)	(67,147)	(67,147)	-
2333090	APF Cash Book U/F	-	-	-	-	-
2334002	APF - WSC	(1,484,933)	(1,484,933.06)	(1,484,933)	(1,484,933)	-
2334003	APF - WSID	901,359	901,358.93	901,359	901,359	-
2334050	APF - Intercompany	-	-	-	-	-
	APF Assoc Cos	(583,574)	(583,574.13)	(583,574)	(583,574)	-
2342000	N/P To Assoc Cos UI	-	-	-	-	-
2351000	Customer Deposits	(114,589)	(114,589.10)	(114,589)	(114,589)	-
2361100	Accrued Taxes	-	-	-	-	-
2361101	Accrued Gross Receipts Tax	-	-	-	-	-
2361170	Accrued Sales Tax	(16,582)	(16,582.43)	(16,582)	(16,582)	-
2361171	Accrued Sales Tax - 2	(5,275)	(5,275.46)	(5,275)	(5,275)	-
2361291	Accrued Fed Income Tax	-	-	-	-	-
2361292	Accrued St Income Tax	(5,143)	(5,143.00)	(5,143)	(5,143)	-
	Total Accrued Taxes	(27,001)	(27,000.89)	(27,001)	(27,001)	-
2372080	Accrued Cust Dep Interest	(7,012)	(7,011.69)	(7,012)	(7,012)	-

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2413000	Advances from UI	288,898	288,897.50	288,898	288,898	-
2525000	Adv In Aid of Const-Water	(113,081)	(113,080.53)	(113,081)	(113,081)	-
2526000	Adv In Aid of Const-Sewer	-	-	-	-	-
2531000	Deferred Revenue	-	-	-	-	-
2551000	Unamortized TTC	-	-	-	-	-
2711000	CIAC - Water	(81,024)	(81,023.99)	(81,024)	(81,024)	-
2711010	CIAC - Water Tax	(221)	(221.00)	(221)	(221)	-
2722000	Acc Amort CIA Water	3,365	3,365.40	3,365	3,365	-
	NET CIAC - Water	(77,880)	(77,879.59)	(77,880)	(77,880)	-
2721000	CIAC - Sewer Unadis	-	-	-	-	-
2721010	CIAC - Sewer Tax	-	-	-	-	-
2723000	Acc Amort CIA Sewer	-	-	-	-	-
	NET CIAC - Sewer	-	-	-	-	-
	Liabilities & Equity	(4,368,155)	(4,368,154.88)	(4,368,155)	(4,368,155)	-

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461020	Water Revenue-Metered	1,334,219	1,334,219.32	-	1,334,219	1,334,219	-
461099	Water revenue Accounts	9,261	9,261.00	-	9,261	9,261	-
4612030	Water Revenue - Conduit	35,466	35,466.35	-	35,466	35,466	-
	Water Revenue	1,378,947	1,378,946.67	-	1,378,947	1,378,947	-
5221000	Sewer Revenue	-	-	-	-	-	-
5221050	Sewer Solids Pumping Charge	-	-	-	-	-	-
5221099	Sewer Revenue Accrual	-	-	-	-	-	-
5222030	Sewer Revenue - Conduit	-	-	-	-	-	-
	Sewer Revenue	-	-	-	-	-	-
4701000	Forfeited Discounts	32,919	32,918.68	-	32,919	32,919	-
4711000	Misc Service Revenues	(3,581)	(3,580.66)	-	(3,581)	(3,581)	-
4741001	New Customer Charge-Water	-	-	-	-	-	-
4741003	New Customer Charge-Water&Sewer	-	-	-	-	-	-
4741008	NSF Check Charge	-	-	-	-	-	-
4741009	Cut Off Charge	7,400	7,400.00	-	7,400	7,400	-
5361002	New Customer Ctg - Sewer	-	-	-	-	-	-
	Misc Service Revenues	3,819	3,819.34	-	3,819	3,819	-
6101010	Purchased Water-Water Sys	85,614	85,614.24	-	85,614	85,614	-
6101020	Purchased Water-Sewer Sys	-	-	-	-	-	-
6101090	Purchased Water - Billings	85,614	85,614.24	-	85,614	85,614	-
	Purchased Water	-	-	-	-	-	-
7105000	Purchased Sewer-Triani	-	-	-	-	-	-
7105090	Purchased Sewer - Billings	-	-	-	-	-	-
	Purchased Sewer	-	-	-	-	-	-
6151010	Electric Power-Water System	41,483	41,483.14	-	41,483	41,483	-
6151040	Electric Power - Gas F/M/Ann Op	1,033	1,033.36	-	1,033	1,033	-
6161060	Electric Power-Other	-	-	-	-	-	-
7151020	Electric Power-Sewer System	-	-	-	-	-	-
	Total	42,517	42,516.50	-	42,517	42,517	-
6181010	Chlorine	40,836	40,836.19	-	40,836	40,836	-
6181050	Odor Control Chemicals	38,478	38,478.37	-	38,478	38,478	-
6181090	Other Chemicals	79,315	79,314.56	-	79,315	79,315	-
	Total	-	-	-	-	-	-
6361000	Meter Reading	-	-	-	-	-	-
6019000	Salaries	(121,266)	(121,266.00)	-	(121,266)	(121,266)	-
6019020	Salaries Cngd to Pfl - WSC	391,796	391,795.82	-	391,796	391,796	-
6019040	Salaries - Operatons	9,730	9,730.00	-	9,730	9,730	-
6019045	Salaries - Wtr Serv Computers	117,948	117,948.13	-	117,948	117,948	-
6019050	Salaries - Office	-	-	-	-	-	-
6019054	Salaries - TL Admin	-	-	-	-	-	-
	Total	398,208	398,207.95	-	398,208	398,208	-
6708000	Uncollectible Accounts	16,403	16,403.13	-	16,403	16,403	-
6708001	Agency Expense	397	397.10	(17)	380	380	-
	Total	16,800	16,800.23	(17)	16,783	16,783	-
6319011	Engineering Fees	3	3.00	(7)	3	3	-
6338001	Legal Fees	77	77.00	(7)	70	70	-
6339002	Audit Fees	3,985	3,985.00	(347)	3,638	3,638	-
6339013	Accounting Studies	4,800	4,800.00	-	4,800	4,800	-
6369003	Temporary Employment	2,064	2,064.00	(3)	2,061	2,061	-
6369005	Outside Computer Service	880	880.00	(76)	804	804	-
6369006	Employment Finder Fees	1,066	1,066.00	(93)	973	973	-
6369007	Computer Maintenance	2,727	2,727.00	-	2,727	2,727	-
6369008	Directors Fees	-	-	-	-	-	-
6369090	Other Direct Outside Services	1,931	1,930.63	-	1,931	1,931	-
6369099	Computer-Amort & Prog Costs	385	385.00	(83)	385	385	-
6389012	Internet Supplier	952	952.00	-	869	869	-
639014	Tax Return Review	18,870	18,869.63	(609)	18,261	18,261	-
	Total	-	-	-	-	-	-

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6049010	Health Ins. Reimbursements	68,490	68,490.00		68,490	
6049011	Employee Insurance Deductions	(951)	(951.00)		(951)	
6049012	Health Costs & Other	78	78.00		78	
6049015	Dental	272	272.00		272	
6049020	Pension Contributions	12,282	12,282.00		12,282	
6049050	Deferred Compensation					
6049055	Health Ins. Premiums	672	672.00		672	
6049060	Dental Premiums	19	19.00		19	
6049065	Term Life Insurance	135	135.00		135	
6049066	Term Life Insurance - Opt	3	3.00		3	
6049067	Dependent Life - Opt					
6049070	AFLAC	1	1.00		1	
6049080	ESOP Contributions	16,258	16,258.00		16,258	
6049090	Disability Insurance	56	56.00		56	
	Other Lump Pmts & Benefits	5,936	5,936.00		5,936	
	Total	103,251	103,251.00		103,251	
6599090	Other Insurance	68,321	68,321.00	(1,093)	67,228	67,228
7668010	Rate Case Expense					
6419032	Rent - Charlotte Warehouse					
6419090	Rent - Others	18,492	18,492.48		18,492	18,492
7418013	Rent - Tyvola Associates					
	Total	18,492	18,492.48		18,492	18,492
6759001	Publications, Subscriptions	157	157.00	(14)	143	143
6759002	Answering Service					
6759003	Computer Supplies	1,060	1,059.60		1,060	1,060
6759004	Printing & Blueprints	330	350.00	(22)	328	328
6759005	Postage & Postage Meter	26,370	26,369.65		26,370	26,370
6759006	United Parcel & Air Freight	715	715.14		715	715
6759007	Printing - Customer Service	1,362	1,361.63	(8)	1,354	1,354
6759008	Xerox	319	319.00	(21)	298	298
6759009	Office Supplies	775	775.10	(31)	744	744
6759010	Rent of Office Equip Expense	38	38.00	(3)	35	35
6759011	Envelopes	2,880	2,880.00	(185)	2,695	2,695
6759012	Bill Stock	1,084	1,084.00	(70)	1,014	1,014
6759013	Cleaning Supplies	51	51.18	(3)	48	48
6759014	Memberships- Employee	262	262.00	(1)	261	261
6759015	Pay Cash - Office					
6759016	Microfilming	734	734.00		734	734
6759051	Computer Supplies - Billing	1,141	1,141.00	(8)	1,141	1,141
6759090	Other Office Expenses	725	726.12		718	718
	Total	38,023	38,023.42	(366)	37,657	37,657

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6759110	Office Telephone	4,632	4,631.76	(5)	4,627	4,627	-
6759190	Other Office Utilities	48	48.34	-	48	48	-
6759115	Office Computer Telephone	-	-	-	-	-	-
6759120	Office Electric	3,374	3,374.13	(34)	3,340	3,340	-
6759125	Office Water	677	677.34	(8)	669	669	-
6759130	Office Gas	1,955	1,954.77	(11)	1,944	1,944	-
6759135	Operations Telephones	20,161	20,160.99	-	20,161	20,161	-
6759136	Operations Telephones - LD	-	-	-	-	-	-
6759140	Alarm	1,212	1,211.57	-	1,212	1,212	-
6759150	Teletexting Phone Exp	-	-	-	-	-	-
6759160	Office Fax Machine Phone	-	-	-	-	-	-
	Total	32,059	32,058.90	(58)	32,001	32,001	-
6759210	Office Cleaning Service	4,851	4,851.00	(37)	4,814	4,814	-
6759220	Landscapeing, Mowing & Snowplow	621	621.00	(40)	581	581	-
6759415	Mowing/Snowplowing	40	40.00	-	40	40	-
6759230	Office Garbage Removal	245	244.97	(3)	242	242	-
6759260	Repair Office March & Heating	54	54.00	(3)	51	51	-
6759290	Other Office Maintenance	1,480	1,480.00	(65)	1,415	1,415	-
	Total	7,291	7,290.97	(148)	7,143	7,143	-
6759330	Memberships Company	18	18.00	(1)	17	17	-
7048050	Employees Education Expense	58	58.00	(4)	54	54	-
7048055	Office Education/Train Exp.	527	527.00	(34)	493	493	-
7758370	Meals and Related Expenses	1,365	1,364.98	(10)	1,355	1,355	-
7758380	Bank Charges	4,651	4,650.63	(398)	4,253	4,253	-
7758390	Other Misc. General	(3,633)	(3,633.42)	(27)	(3,660)	(3,660)	-
	Total	2,985	2,985.19	(474)	2,511	2,511	-
6755070	Water Permits	-	-	-	-	-	-
6755090	Water-Other Maint Exp	19,096	19,096.18	-	19,096	19,096	-
6759503	Water-Maintenance Supplies	3,479	3,479.01	-	3,479	3,479	-
6759506	Water-Maintenance Repairs	26,818	26,818.08	-	26,818	26,818	-
6759507	Water Main Breaks	1,803	1,802.73	-	1,803	1,803	-
6759509	Water-Elec Equip Repair	242	241.63	-	242	242	-
	Total	51,438	51,437.63	-	51,438	51,438	-
7754003	Sewer-Maintenance Supplies	-	-	-	-	-	-
7754006	Sewer-Maintenance Repairs	-	-	-	-	-	-
7754007	Sewer-Main Breaks	-	-	-	-	-	-
7754008	Sewer-Sludge Handling	-	-	-	-	-	-
7754009	Sewer-Electrical Eqpt. Repair	-	-	-	-	-	-
7754011	Sewer-Sewer Ridding	-	-	-	-	-	-
7755070	Sewer Permits	-	-	-	-	-	-
7758490	Sewer-Other Maint. Expense	-	-	-	-	-	-
	Total	-	-	-	-	-	-
6205003	Operators Expense	3,907	3,906.93	-	3,907	3,907	-
6759017	Operators Cleaning Supplies	988	987.96	-	988	988	-
6759018	Operators - Other Office Exp	10,322	10,325.13	(3)	10,322	10,322	-
6759019	Operators Publican/Subscription	24	24.00	-	24	24	-
6759080	Main-Del Chgs	30,023	30,023.41	-	30,023	30,023	-
6759081	Hurricane Storms Crisis	-	-	-	-	-	-
6759402	Part Time Operators	4,049	4,048.80	-	4,049	4,049	-
6759405	Communication Exp	1,420	1,420.00	-	1,420	1,420	-
6759410	Operators Ed. Expense	1,695	1,695.05	-	1,695	1,695	-
6759412	Uniform Cleaning	4,919	4,919.23	-	4,919	4,919	-
6759490	Garbage Removal - Wtr/Swr	494	494.26	-	494	494	-
6759413	Operators Postage	3,663	3,662.90	-	3,663	3,663	-
6759414	Operators Office Supply Stores	4,262	4,261.77	-	4,262	4,262	-
6759416	Operators Memberships	2,824	2,824.00	-	2,824	2,824	-
6759430	Sales Use Tax Expense	-	-	-	-	-	-
	Total	68,593	68,593.46	(3)	68,590	68,590	-

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6355010	Water Tests	12,485	12,485.20	-	12,485	12,485	-
6355030	Testing Equipment & Chemicals	3,795	3,794.56	-	3,834	3,834	-
6355040	Safe Water Drinking Test	-	-	-	-	-	-
7352020	Sewer Tests	40	39.93	(40)	(1)	-	-
	Total	16,320	16,319.69	-	16,320	16,320	-
6501020	Gasoline	18,405	18,404.52	-	18,405	18,405	-
6501030	Auto Repair	7,931	7,931.40	-	7,931	7,931	-
6501040	Auto License	-	-	-	-	-	-
6509090	Other Transportation	81	80.54	-	81	81	-
6509110	Operators Trans Reimb	199	198.75	-	199	199	-
	Total	26,615	26,615.21	-	26,615	26,615	-
4032010	Depreciation-Water Plant	-	-	-	-	-	-
4032001	Depreciation - Organization	11	11.46	-	11	11	-
4032014	Depreciation - Wells & Springs	763	763.20	-	763	763	-
4032021	Depreciation - Structures & Improvements (Pump Pl)	600	599.58	-	600	600	-
4032025	Depreciation - Electric Pumping Equipment	5,221	5,221.38	-	5,221	5,221	-
4032031	Depreciation - Structures & Improvements (Water TP)	6,863	6,862.80	-	6,863	6,863	-
4032032	Depreciation - Water Treatment Equipment	8,076	8,076.56	-	8,076	8,076	-
4032042	Depreciation - Distribution Reservoirs & Standpipes	9,127	9,126.72	-	9,127	9,127	-
4032043	Depreciation - Transmission & Distribution Mains	52,655	52,654.62	-	52,655	52,655	-
4032045	Depreciation - Service Lines	12,572	12,572.34	-	12,572	12,572	-
4032046	Depreciation - Meters	9,083	9,083.40	-	9,083	9,083	-
4032047	Depreciation - Meter Installations	3,511	3,511.44	-	3,511	3,511	-
4032048	Depreciation - Hydrants	3,149	3,148.56	-	3,149	3,149	-
4032090	Depreciation-Office Structures	2,681	2,680.92	-	2,681	2,681	-
4032091	Depreciation-Office Furniture	2,674	2,673.68	-	2,674	2,674	-
4032092	Depreciation-Transportation	56,586	56,585.89	-	56,586	56,586	-
4032093	Depreciation-Telephones	59	59.00	-	59	59	-
4032094	Depreciation - Tools, Shop, & Miscellaneous Equipment	2,854	2,853.90	-	2,854	2,854	-
4032095	Depreciation - Laboratory Equipment	601	600.72	-	601	601	-
4032096	Depreciation-Transportation-WSC	-	-	-	-	-	-
4032097	Depreciation - Communication Equipment	865	864.96	-	865	865	-
4032098	Depreciation-Computer	5,403	5,403.00	-	5,403	5,403	-
	Total	183,354	183,353.93	-	183,354	183,354	-
4033000	Depreciation-Sewer	-	-	-	-	-	-
4061000	Amort of Util - PVA - Water	(3,660)	(3,660.48)	3,660	-	-	-
4062000	Amort of Util - PVA - Sewer	-	-	-	-	-	-
4071000	Amort Exp - CIAC - Water	(1,628)	(1,628.16)	(1,628)	(1,628)	(1,628)	-
4073000	Amort Exp-CIAC-Sewer	-	-	-	-	-	-

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4081201	FICA Expense	37,741	37,741.26	37,741	37,741	-	-
4091123	ST Unemployment Tax-IL	-	-	-	-	-	-
4091060	ST Unemployment Tax	8,984	8,983.93	8,984	8,984	-	-
4091050	Federal Unemployment Tax	933	933.37	933	933	-	-
	Total	47,659	47,658.56	47,659	47,659	-	-
4081004	Utility/Commission Tax	11,453	11,453.07	11,453	11,453	-	-
4081100	Property and Other General Taxes	-	-	-	-	-	-
4081121	Real Estate Tax	63,124	63,124.01	63,038	63,038	-	-
4081122	Personal Property Tax	2,209	2,209.09	2,209	2,209	-	-
4081301	Gross Receipts Tax	11,943	11,943.08	11,943	11,943	-	-
4081303	Franchise Tax	88,729	88,729.25	88,643	88,643	-	-
	Total	(173,228)	(173,228.00)	(173,228)	(173,228)	-	-
4091100	Income Taxes - Federal	875	875.10	875	875	-	-
4101100	Deferred Income Taxes - State	11,395	11,395.00	11,395	11,395	-	-
4152000	Income from Management Services	(102,670)	(102,670.26)	(102,670)	(102,670)	-	-
4141040	Sale of Equipment	(2,205)	(2,205.00)	(2,205)	(2,205)	-	-
4191010	Interest Income-Other Rental & Other Income	(2,205)	(2,205.00)	(2,205)	(2,205)	-	-
4101000	Def Income Taxes - Federal	167,433	167,433.00	167,433	167,433	-	-
4192000	Interest Expense - Interest	130,014	130,014.00	129,583	129,583	-	-
4301000	Interest During Construction	(5,618)	(5,618.00)	(5,618)	(5,618)	-	-
4261000	Misc. Income	(346)	(346.00)	(324)	(324)	-	-
4272050	S/T Int Exp-Customer Deposits	6,564	6,563.94	6,564	6,564	-	-
4272090	S/T Int Exp-Other	(62)	(62.00)	(58)	(58)	-	-
	Short Term Interest Expense	6,502	6,501.94	6,506	6,506	-	-
	Net Income	(5,632)	(5,632.25)	(401)	(6,034)	100.00%	0.00%
	% of Net Income W&S						

4. Provide a complete copy of all of Water Service's internal accounting manuals, directives, and policies and procedures.

Response: Witness – Kirsten Weeks. Please see the enclosed worksheet entitled “Chart of Accounts for the Northbrook Office”, labeled item (4), sheets 1 through 10, tab 4. Also enclosed is the Company's policy on AFUDC, the Company's policy on capitalization, and the handbook that serves as a guide for the WSC allocation manual, which was provided with the Application as a confidential document, exhibit 16.

**WATER SERVICE CORPORATION OF KENTUCKY
FIRST DATA REQUEST OF COMMISSION STAFF
RESPONSE TO ITEM (4), SHEETS 1 THROUGH 10**

Item (4)

05A ACCT 4 ACCT # ACCOUNT NAME

CODE TO

CODING HINTS

PLAN#

ACCOUNT #	ACCOUNT NAME	CODE TO	CODING HINTS
3011001	ORGANIZATION		
3036910	LAND & LAND RIGHTS		
3072014	WELLS & SPELHDS		
3030021	STRUCTURES & IMPROVE (PUMP, FLT.)		
3110025	ELECTRIC WIRING EQUIPMENT		
3110026	ELECTRIC PUMP, EQPT, SMALL-110 ONLY		
3041031	STRUCTURES & IMPROVE (WTR, T.P.)		
3024022	WATER TREATMENT EQUIPMENT		
3105042	DISTRIB. RESERVOIRS & STANDPIPES		
3110043	TRANSMISSION & DISTRIB. MAINS		
3110044	GALVANIZED MAINS - CUC ONLY		
3110045	SERVICE LINES		
3140046	METERS		
3140047	METER INSTALLATIONS		
3150048	HYDRANTS		
3026029	LAND & LAND RIGHTS (GENERAL PLT.)		
3066090	OFFICE STRUCTURES & IMPROVEMENTS		
3066091	OFFICE FURNITURE & EQUIPMENT		
3466094	TOOLS, SHCP & HISC. EQUIPMENT		
3446095	LABORATORY EQUIPMENT		
3466097	COMMUNICATIONAL EQUIPMENT		

3036050 WATER COSTS

771
772

38-773-115-98-07-106B

CHARTERED ACCOUNTANTS FOR THE NORTHFLORIDA OFFICE
 Finance/Retr. Acc. Mgr 4/14/99 2:13 PM

Item (4)

OSA ACCT	ACCT #	ACCOUNT NAME	CODE TO	CODING HINTS
3511001	102-01	ORGANIZATION	SUBDIVISION	
3537002	102-02	LAND & LAND RIGHTS	SUBDIVISION	ALL SEWER LAND
3544003	102-03	BUILDINGS & STRUCTURES	SUBDIVISION	USUALLY DON'T USE
3564004	102-04	SEWER LAGOONS	SUBDIVISION	LAGOON AERATORS, PUMPS, OXIDATION PONDS
3564005	102-05	SEWAGE TREATMENT PLANT	SUBDIVISION	WEIR BOXES, PUMPS, CONTACT BASIN, PIPING WITHIN STATION, BLOWERS, FLOW METER/BOX
3602006	102-06	SEWAGE SERVICE LINES	SUBDIVISION	CLARIFIER, CHLORINATOR, TRAVEL BRIDGE, REMIND/REBUILD MOTOR: CAP/DON'T RETIRE, SURGE TANK, IMPELLOR REPLACEMENT IS A REBUILD TO A PUMP/MOTOR, COMMITRUTOR, GENERATOR
3603007	102-07	FORCE OR VACUUM MAINS	SUBDIVISION	TAPS, SEWER CUT-OFF/SHUT-OFF TERMINATIONS IF INSTALL DISCONNECT: ELDER VALVES THAN 8 FT. OF SAME PIPE, CAPITALIZE & RETIRE, USE EVEN UNDER \$250 IF NEW
3613008	102-08	SEWER MAINS	SUBDIVISION	IF REPLACE MORE THAN 8 FT. OF SAME TYPE OF PIPE, CAPITALIZE & RETIRE
3624009	102-09	OUTFALL LINES	SUBDIVISION	IF REPLACE MORE THAN 8 FT. OF SAME TYPE OF PIPE, CAPITALIZE & RETIRE, SMOKING
3612010	102-10	MANHOLES	SUBDIVISION	INCLUDING MANHOLE COVERS & RAISING
3644011	102-11	LIFT STATION	SUBDIVISION	PUMPING STATION, WET WELL, L/S
3647012	102-12	SPRAY IRRIGATION EQUIPMENT	SUBDIVISION	SPRAY IRRIGATION FIELD
3667000	102-13	OFFICE STRUCTURES & IMPROVEMENTS	SEWER ONLY CO'S	SAME AS WATER BUT FOR SEWER ONLY COMPANIES (IF WAS COMPANY USE 101 C'DESI)
3667001	102-14	OFFICE FURNITURE & EQUIPMENT	SEWER ONLY CO'S	SAME AS WATER BUT FOR SEWER ONLY COMPANIES (IF WAS COMPANY USE 101 C'DESI)
3667002	102-15	TOOLS, SHED & HISC. EQUIPMENT	SEWER ONLY CO'S	SAME AS WATER BUT FOR SEWER ONLY COMPANIES (IF WAS COMPANY USE 101 C'DESI)
3667003	102-16	LABORATORY EQUIPMENT	SEWER ONLY CO'S	SAME AS WATER BUT FOR SEWER ONLY COMPANIES (IF WAS COMPANY USE 101 C'DESI)
3667004	102-17	COMMUNICATION EQUIPMENT	SEWER ONLY CO'S	SAME AS WATER BUT FOR SEWER ONLY COMPANIES (IF WAS COMPANY USE 101 C'DESI)
3662006		REUSE SERVICES	SUBDIVISION	
3675046		REUSE METERS/INSTALLATIONS	SUBDIVISION	
3745042		REUSE DISTRIBUTION RESERVOIRS	SUBDIVISION	
3752009		REUSE TRANSMISSION & DIST SYS	SUBDIVISION	
3917000	101-00	TRANSPORTATION EQUIPMENT	PARENT	PERMANENTLY ATTACHED TO CAR/TRUCK, BEDLINERS & TOOL BOX FOR NEW TRUCKS
3906010	101-10	HAIRDRYME COMPUTER	PARENT	BOPT. TO COMMUNICATE WITH MICRODATA COMPUTERS
3906011	101-11	MINI COMPUTERS	PARENT	BOPT. FOR MACINTOSH COMPUTERS - EXPENSE UNDER \$250
1061010	109-10	ACCUM. DEPR. MAINFRAME COMPUTER	PARENT	
1091020	109-20	ACCUM. DEPR. MINI COMPUTERS	OFFICE/OPER COST CENTER	
1092000	110-00	ACCUMULATED DEPR. - TRANSPORTATION	PARENT	
1093010	111-10	ACCUM. DEPR. WATER PLANT	SUBDIVISION	
1093011	112-00	ACCUMULATED DEPRECIATION-SEWER	SUBDIVISION	(FLORIDA COMPANIES ONLY USE SEPARATE CODING LIST FOR RETIREMENTS)
1085006		ACCUMULATED DEPRECIATION-REUSE	SUBDIVISION	
1086046		ACCUM. DEPR. - REUSE SERVICES	SUBDIVISION	
1085042		ACCUM. DEPR. - REUSE METERS/INSTALLATIONS	SUBDIVISION	
1085005		ACCUM. DEPR. - REUSE DISTRIBUTION RESERVOIRS	SUBDIVISION	
		ACCUM. DEPR. - REUSE TRANSMISSION & DIST SYS	SUBDIVISION	

S. L. A. B. T. O. T. A. G. C. O. L. T. H. S. T. O. R. T. H. E. N. O. N. T. H. B. A. O. O. K. O. F. F. I. C. E.

1/11/99 3:35 PM

05A ACCT. ACCT. ACCOUNT NUMS
 CASH UNAPPLIED
 CODE TO
 CODING AIDS

ACCOUNT NUMBER	DESCRIPTION	SUBDIVISION	CODE	DESCRIPTION
131000	CASH UNAPPLIED	SUBDIVISION		BILLING & CASH BOOK ONLY
131001	CASH UNAPPLIED - HSF'S	SUBDIVISION		BILLING & CASH BOOK ONLY
131002	CASH UNAPPLIED - TRAFFIC CB DEP	SUBDIVISION		BILLING & CASH BOOK ONLY
SPECIAL DEPOSITS				
131003	SPECIAL CHEMICAL DEPOSITS (ELECTRIC, RENT, ETC.)	PARENT		ELECTRIC, RENT, PAGER DEPOSITS
131004	SPECIAL CHEMICAL DEPOSITS-0034 ALEXANDER	02-0005 ONLY		CYLINDER, DELDRUMS, CARBOYS & PALLET DEPOSITS, NOT FOR DEMURRAGE OR RENT ON CYLINDERS
131005	SPECIAL CHEMICAL DEPOSITS-1888 WING	02-0005 ONLY		CYLINDER, DELDRUMS, CARBOYS & PALLET DEPOSITS, NOT FOR DEMURRAGE OR RENT ON CYLINDERS
131006	SPECIAL CHEMICAL DEPOSITS-1074 PRODRUMERS	02-0005 ONLY		CYLINDER, DELDRUMS, CARBOYS & PALLET DEPOSITS, NOT FOR DEMURRAGE OR RENT ON CYLINDERS
131007	SPECIAL CHEMICAL DEPOSITS-0916 VAN WATERS	02-0005 ONLY		CYLINDER, DELDRUMS, CARBOYS & PALLET DEPOSITS, NOT FOR DEMURRAGE OR RENT ON CYLINDERS
131008	SPECIAL CHEMICAL DEPOSITS-1318 TEXTILE	02-0005 ONLY		CYLINDER, DELDRUMS, CARBOYS & PALLET DEPOSITS, NOT FOR DEMURRAGE OR RENT ON CYLINDERS
131009	SPECIAL CHEMICAL DEPOSITS-0540 GAMECOCK	02-0005 ONLY		CYLINDER, DELDRUMS, CARBOYS & PALLET DEPOSITS, NOT FOR DEMURRAGE OR RENT ON CYLINDERS
131010	SPECIAL CHEMICAL DEPOSITS-2101 FRILLMAN	02-0005 ONLY		CYLINDER, DELDRUMS, CARBOYS & PALLET DEPOSITS, NOT FOR DEMURRAGE OR RENT ON CYLINDERS
131011	SPECIAL CHEMICAL DEPOSITS-0179 BURRIS	02-0005 ONLY		CYLINDER, DELDRUMS, CARBOYS & PALLET DEPOSITS, NOT FOR DEMURRAGE OR RENT ON CYLINDERS
131012	SPECIAL CHEMICAL DEPOSITS-1553 JEFFERSON	02-0005 ONLY		CYLINDER, DELDRUMS, CARBOYS & PALLET DEPOSITS, NOT FOR DEMURRAGE OR RENT ON CYLINDERS
131013	SPECIAL CHEMICAL DEPOSITS-1686 WORTH CHEM.	02-0005 ONLY		CYLINDER, DELDRUMS, CARBOYS & PALLET DEPOSITS, NOT FOR DEMURRAGE OR RENT ON CYLINDERS
131014	SPECIAL CHEMICAL DEPOSITS-0949 BONDED	02-0005 ONLY		CYLINDER, DELDRUMS, CARBOYS & PALLET DEPOSITS, NOT FOR DEMURRAGE OR RENT ON CYLINDERS
131015	SPECIAL CHEMICAL DEPOSITS-2892 DIRS CHEM.	02-0005 ONLY		CYLINDER, DELDRUMS, CARBOYS & PALLET DEPOSITS, NOT FOR DEMURRAGE OR RENT ON CYLINDERS
131016	SPECIAL CHEMICAL DEPOSITS-4055 HAULEY REGA	02-0005 ONLY		CYLINDER, DELDRUMS, CARBOYS & PALLET DEPOSITS, NOT FOR DEMURRAGE OR RENT ON CYLINDERS
131017	SPECIAL CHEMICAL DEPOSITS-4883 HINDRITE	02-0005 ONLY		CYLINDER, DELDRUMS, CARBOYS & PALLET DEPOSITS, NOT FOR DEMURRAGE OR RENT ON CYLINDERS
131018	SPECIAL CHEMICAL DEPOSITS-2756 HARCROS	02-0005 ONLY		CYLINDER, DELDRUMS, CARBOYS & PALLET DEPOSITS, NOT FOR DEMURRAGE OR RENT ON CYLINDERS
131019	SPECIAL CHEMICAL DEPOSITS-4144 SAVANNAH BR	02-0005 ONLY		CYLINDER, DELDRUMS, CARBOYS & PALLET DEPOSITS, NOT FOR DEMURRAGE OR RENT ON CYLINDERS
131020	SPECIAL CHEMICAL DEPOSITS-1956 MARSWAN CHEM	02-0005 ONLY		CYLINDER, DELDRUMS, CARBOYS & PALLET DEPOSITS, NOT FOR DEMURRAGE OR RENT ON CYLINDERS
131021	SPECIAL CHEMICAL DEPOSITS-1293 CHEM. PLUS	02-0005 ONLY		CYLINDER, DELDRUMS, CARBOYS & PALLET DEPOSITS, NOT FOR DEMURRAGE OR RENT ON CYLINDERS
131022	SPECIAL CHEMICAL DEPOSITS-6744 AQUA CHEM	02-0005 ONLY		CYLINDER, DELDRUMS, CARBOYS & PALLET DEPOSITS, NOT FOR DEMURRAGE OR RENT ON CYLINDERS
131023	SPECIAL CHEMICAL DEPOSITS-7639 C & S PRODU	02-0005 ONLY		CYLINDER, DELDRUMS, CARBOYS & PALLET DEPOSITS, NOT FOR DEMURRAGE OR RENT ON CYLINDERS
131024	SPECIAL CHEMICAL DEPOSITS-7641 IMDCHEM	02-0005 ONLY		CYLINDER, DELDRUMS, CARBOYS & PALLET DEPOSITS, NOT FOR DEMURRAGE OR RENT ON CYLINDERS
131025	SPECIAL CHEMICAL DEPOSITS-8225 COASTL CAR	02-0005 ONLY		CYLINDER, DELDRUMS, CARBOYS & PALLET DEPOSITS, NOT FOR DEMURRAGE OR RENT ON CYLINDERS
131026	SPECIAL CHEMICAL DEPOSITS-8308 RAMSEY GRP	02-0005 ONLY		CYLINDER, DELDRUMS, CARBOYS & PALLET DEPOSITS, NOT FOR DEMURRAGE OR RENT ON CYLINDERS
131027	SPECIAL CHEMICAL DEPOSITS-7838 COMH CHEM	02-0005 ONLY		CYLINDER, DELDRUMS, CARBOYS & PALLET DEPOSITS, NOT FOR DEMURRAGE OR RENT ON CYLINDERS
131028	SPECIAL CHEMICAL DEPOSITS-7626 ULRICH CHEM	02-0005 ONLY		CYLINDER, DELDRUMS, CARBOYS & PALLET DEPOSITS, NOT FOR DEMURRAGE OR RENT ON CYLINDERS
131029	SPECIAL CHEMICAL DEPOSITS-9210 COBURN	02-0005 ONLY		CYLINDER, DELDRUMS, CARBOYS & PALLET DEPOSITS, NOT FOR DEMURRAGE OR RENT ON CYLINDERS
131030	SPECIAL CHEMICAL DEPOSITS-1037 MID STATE	02-0005 ONLY		CYLINDER, DELDRUMS, CARBOYS & PALLET DEPOSITS, NOT FOR DEMURRAGE OR RENT ON CYLINDERS
131031	SPECIAL CHEMICAL DEPOSITS-11057 WECHSLER	02-0005 ONLY		CYLINDER, DELDRUMS, CARBOYS & PALLET DEPOSITS, NOT FOR DEMURRAGE OR RENT ON CYLINDERS
131032	SPEC DEP-V12612 MAIN POOL & CHEM I	02-0005 ONLY		CYLINDER, DELDRUMS, CARBOYS & PALLET DEPOSITS, NOT FOR DEMURRAGE OR RENT ON CYLINDERS
131033	SPEC DEP-V12699 HERRY	02-0005 ONLY		CYLINDER, DELDRUMS, CARBOYS & PALLET DEPOSITS, NOT FOR DEMURRAGE OR RENT ON CYLINDERS
131034	SPEC DEP-V10724 CIL AQUA	02-0005 ONLY		CYLINDER, DELDRUMS, CARBOYS & PALLET DEPOSITS, NOT FOR DEMURRAGE OR RENT ON CYLINDERS
131035	SPEC DEP-V13188 DFC	02-0005 ONLY		CYLINDER, DELDRUMS, CARBOYS & PALLET DEPOSITS, NOT FOR DEMURRAGE OR RENT ON CYLINDERS

BB-1 cert: Fidelity of deposit 1312097

Item (4)

C.H.A.R.T. OF ACCOUNTS FOR THE NORTHBAOK OFFICE
 Financial Policy Manual 1/11/99 2:35 PM

OTHER ASSETS	ACCOUNT NAME	CODE TO	CODING NOTES
1411000	142-00 ACCOUNTS RECEIVABLE - CUSTOMER	SUBDIVISION	BILLING ONLY
1621010	165-10 PREPAID INSURANCE	PARENT	
1621030	165-30 BACK BILLS	SUBDIVISION	
1621050	165-99 OTHER PREPAYMENTS	PARENT	
PRELIMINARY SURVEY			
1811000	183-00 PRELIMINARY SURVEY	01-0001 ONLY	
1811004	183-04 P&E-SWEEPWATER	01-0001 ONLY	
1811005	183-07 P&E-SANITARIO	01-0001 ONLY	
1811005	183-08 P&E-MAGS-HEAD	01-0001 ONLY	
DEFERRED CHARGES			
1822001	186-01 LANDSCAPING	PARENT	
1822004	186-04 CUSTOMER COMPLAINTS (MAJOR EXPENSE)	PARENT	
1822010	186-10 MAIN BREAKS (WATER)	PARENT	
1822011	186-11 MAJOR REPAIRS (WATER)	PARENT	
1822019	186-19 OTHER (WATER)	PARENT	
1822027	186-27 TANK MAINTENANCE & REPAIR--7 (WATER)	PARENT	1997-PAINT, LABOR, SAND BLASTING EQPT. FOR REPAINTING-WATER
1822028	186-28 TANK MAINTENANCE & REPAIR--8 (WATER)	PARENT	1998-PAINT, LABOR, SAND BLASTING EQPT. FOR REPAINTING-WATER
1822029	186-29 TANK MAINTENANCE & REPAIR--9 (WATER)	PARENT	1999-PAINT, LABOR, SAND BLASTING EQPT. FOR REPAINTING-WATER
1822030	186-30 RELOCATION EXPENSES	PARENT	MOVING VAN CHARGES, HOTEL, CHARGES WHEN RELOCATING - CHARGE TO COMPANY MOVED TO
1822041	186-41 ATTORNEYS FEES	PARENT	NEED PRIOR APPROVAL TO USE CODE
1822043	186-43 EMPLOYMENT FEES	PARENT	
1822047	186-47 ASBESTOS TESTING	PARENT	ASBESTOS TESTING
1822048	186-48 OTHER (SEWER)	PARENT	SEWER PLANT SAND BLASTING, PAINT, LABOR TO REPAIR
1822049	186-49 VOC TESTING	PARENT	VOC/SOC (DEFER 3 YEARS) VOC, VOLATILE ORGANIC, PHASE III, V, ETC (IF NOT 3 YRS USE EXP)
1822050	186-50 MAIN BREAKS (SEWER)	PARENT	
1822051	186-51 MAJOR REPAIRS (SEWER)	PARENT	
1822052	186-52 SLUDGE HAULING	PARENT	NEED PRIOR APPROVAL TO USE CODE
1822053	186-53 PRESSURE WASH/JETTING SEWER MAINS (MAJOR)	PARENT	
1822054	186-54 T.V. SEWER MAINS	PARENT	
1822067	186-67 TANK MAINTENANCE & REPAIR--7 (SEWER)	PARENT	ROUTINE YEARLY INSPECTION OR BIG \$ PROJECTS
1822068	186-68 TANK MAINTENANCE & REPAIR--8 (SEWER)	PARENT	1997-PAINT, LABOR, SAND BLASTING EQPT. FOR REPAINTING-SEWER
1822069	186-69 TANK MAINTENANCE & REPAIR--9 (SEWER)	PARENT	1998-PAINT, LABOR, SAND BLASTING EQPT. FOR REPAINTING-SEWER
1822077	187-17 RATE CASE EXPENSE--7	PARENT	1999-PAINT, LABOR, SAND BLASTING EQPT. FOR REPAINTING-SEWER
1822078	187-18 RATE CASE EXPENSE--8	PARENT	1997-PUT ALL RATE CASE EXPENSES HERE EXCEPT HEADS
1822079	187-19 RATE CASE EXPENSE--9	PARENT	1998-PUT ALL RATE CASE EXPENSES HERE EXCEPT HEADS
1822080	187-30 OTHER REGULATORY MATTERS	PARENT	1999-PUT ALL RATE CASE EXPENSES HERE EXCEPT HEADS
			OTHER REGULATORY MATTERS OTHER THAN RATE CASE

~~SEE ATTACHED~~
 SEE ATTACHED
 SEE ATTACHED

Item (4)

CHARITABLE ACCOUNTS FOR THE MONTHBOOK OFFICER
 Finance/Perm. COA.NMK
 1/14/99 2:35 PM

Item (4)

GEN. ACCT. # ACC'T. # ACCOUNT NAME

LIABILITIES

CODE TO

COPYING HINTS

2351000	235-00	CUSTOMER DEPOSITS	SUBDIVISION	
2361101	236-01	ACCRUED GROSS RECEIPTS TAX	PARENT	
2361102	236-02	ACCRUED CAPITAL STOCK TAX	PARENT	
2361103	236-03	ACCRUED FRACHISE TAX	PARENT	
2361104	236-04	ACCRUED UTILITY OR COMMISSION TAX	PARENT	
2361107	236-07	ACCRUED USE TAX	PARENT	
2361121	236-21	ACCRUED REAL ESTATE TAX	PARENT	
2361122	236-22	ACCRUED PERSONAL PROP. & ICT TAX	PARENT	
2361170	236-70	ACCRUED SALES TAX	SUBDIVISION	
2361171	236-71	ACCRUED SALES TAX 2	SUBDIVISION	
2361172	236-72	ACCRUED SALES TAX ORANGE CTY, FL	SUBDIVISION	
2361173	236-73	ACCRUED SALES TAX SEMINOLE CTY, FL	SUBDIVISION	
2361174	236-74	ACCRUED SALES TAX SWR MONITORING	SUBDIVISION	
2361291	236-91	ACCRUED FEDERAL INCOME TAX	PARENT	
2361292	236-92	ACCRUED STATE INCOME TAX	PARENT	ALL INCOME TAX PAYMENTS - DON'T BREAK OUT FRACHISE OR GROSS RECEIPTS TAX
2371010	237-10	ACCRUED INTERCOMPANY INTEREST	PARENT	
2372020	237-20	ACCRUED S/T BANK DEBT INTEREST	PARENT	
2372030	237-30	ACCRUED CUSTOMER DEPOSIT INTEREST	SUBDIVISION	
2372050	237-50	ACCRUED L/T BANK DEBT INTEREST	PARENT	
2372060	237-60	ACCRUED MORTGAGE DEBT INTEREST	PARENT	
2372090	237-90	DEFERRED REVENUE	PARENT	
ADVANCES IN AID OF CONSTRUCTION				
2525000	251-00	ADVANCES-IN-AID OF CONST. - WATER	SUBDIVISION	
2526000	252-00	ADVANCES-IN-AID OF CONST. - SEWER	SUBDIVISION	
CONTRIBUTIONS IN AID OF CONSTRUCTION				
2711000	271-00	CONTRIBUTIONS-IN-AID - WATER	SUBDIVISION	TAP FEES
2721000	272-00	CONTRIBUTIONS-IN-AID - SEWER	SUBDIVISION	TAP FEES

GENERAL LEDGER ACCOUNTS FOR THE NORTH BRONX OFFICE
 Financial Form 904-001-001 1/11/99 2:35 PM

Item (4)

DATE	DESCRIPTION	ACCOUNT	AMOUNT	CODE TO	CRUING RHTS
4411000	SALE OF WATER, SEWER, GARBAGE PICKUP	401-20		SUBDIVISION	
5221000	SALE OF WATER TO A VENDOR	402-00		SUBDIVISION	
5410000	SALE OF SEWER TO A VENDOR			SUBDIVISION	
5410000	REUSE RECEIPTS			SUBDIVISION	
6101010	PURCHASED WATER, SEWER, GARBAGE PICKUP	501-10		SUBDIVISION	
6101020	PURCHASED WATER-WATER SYSTEM	501-20		SUBDIVISION	
6101090	PURCHASED WATER-SEWER SYSTEM	501-90		SUBDIVISION	
7105000	PURCHASED WATER-BILLING	502-00		SUBDIVISION	
7105090	PURCHASED SEWAGE TREATMENT	502-90		SUBDIVISION	
9200000	PURCHASED SEWAGE TREATMENT-BILLING	503-00		SUBDIVISION	
9200000	PURCHASED GARBAGE SERVICE			SUBDIVISION	
6151010	ELECTRIC POWER-WATER SYSTEM	504-10		SUBDIVISION	
7151020	ELECTRIC POWER-SEWER SYSTEM	504-20		SUBDIVISION	
6151040	ELECTRIC POWER-GAS FOR MAINT. OP.	504-40		SUBDIVISION	
6161060	ELECTRIC POWER-OTHER	504-60		SUBDIVISION	
6151090	ELECTRIC POWER-OTHER PURCH. FUEL	504-90		SUBDIVISION	
6151010	CHEMICAL EXPENSE	506-10		SUBDIVISION	
6151090	CHLORINE	506-90		SUBDIVISION	
6151090	OTHER CHEMICALS			SUBDIVISION	
5151000	METER READING EXPENSE	507-00		SUBDIVISION/COST CENTER	
5151000	METER READING			SUBDIVISION/COST CENTER	
5151000	UNCOLLECTIBLE ACCOUNTS	508-00		SUBDIVISION	
6359001	LEGAL FEES	524-01		PARENT	
6359002	AUDIT FEES	524-02		PARENT	
6359003	TEMPORARY EMPLOYMENT - CLERICAL	524-03		02-0005 ONLY	
6359006	EMPLOYEE FINDERS FEE	524-06		OFFICE COST CENTER	
6359007	COMPUTER MAINTENANCE	524-07		PARENT	
6359008	DIRECTORS FEES	524-08		OFFICE/OPER. COST CENTER	
6359011	ENGINEERING FEES	524-11		02-0005 ONLY	
6329013	ACCOUNTING STUDIES	524-13		PARENT	
6329014	TAX RETURN REVIEW	524-14		PARENT	
6349090	OTHER DIRECT OUTSIDE SERVICES	524-90		02-0005 ONLY	

IN FLA USE COST CTR./SUB
 FINANCIAL STRTS AUDIT AA
 PART-TIME, TEMPORARY AGENTS
 (OR DEFERRED 186-43)
 REPAIR MACINTOSH COMPUTERS
 BOARD OF DIRECTORS

BEFORE USING THIS CODE, CONSIDER IF A WORK ORDER IS IN EXISTENCE OR NEEDS TO BE
 SET UP OR CAPITALIZE INVOICES FOR HAPS OR SURVEYS OVER \$100 TO WTR OR SWR MAINS, OR
 CAPITALIZE INVOICES OVER \$250 TO WTR OR SWR PLANT ACCOUNTS, AND
 IN FLORIDA USE COST CTR./SUB

FACE STICKS, HYPOCHLORITE, BLEACH
 SALT FOR BRINE TANK, LIME, SANURIL TANS, POLYPHOSPHATE, SODIUM PHOSPHATE,
 CALCIUM, ZEOCLITE, POLYMER - COAGULANT CHEMICAL - FERRIC CHLORIDE FOR STP

CODE TO THE SUBDIVISION THE WATER IS PUMPED FROM
 CODE TO THE SUBDIVISION THE SEWER IS PUMPED FROM

Item (4)

COA ACCT. ABBREV. & ACCOUNT NAME	CODE TO	GOING FINTS
EMPLOYEE BENEFITS & OTHER INSURANCE EXPENSES		
6049010 6049011 6049012 6049015 6049050 6049090 6049090	531-10 531-11 531-12 531-15 531-50 531-90 531-90	02-0005 ONLY 02-0005 ONLY 02-0005 ONLY 02-0005 ONLY 02-0005 ONLY 02-0005 ONLY 02-0005 ONLY
HEALTH INSURANCE REIMBURSEMENTS EMPLOYEE INSURANCE DEDUCTIONS MEDICAL REIMBURSEMENTS DENTAL INSURANCE REIMBURSEMENTS INSURANCE PREMIUMS OTHER EMPLOYEE PENS. & BEN. OTHER INSURANCE		
RENT EXPENSE		
6759000 6759001 6759002 6759003 6759004 6759005 6759006 6759008 6759009 6759010 6759013 6759014 6759015 6759090	553-02 553-01 553-02 553-03 553-04 553-05 553-06 553-08 553-09 553-10 553-13 553-14 553-15 553-90	PARENT OFFICE COST CENTER OFFICE COST CENTER NORTHBROOK 02-0005 ONLY OFFICE COST CENTER OFFICE COST CENTER
OFFICE SUPPLIES EXPENSE		
6759001 6759002 6759003 6759004 6759005 6759006 6759008 6759009 6759010 6759013 6759014 6759015 6759090	553-01 553-02 553-03 553-04 553-05 553-06 553-08 553-09 553-10 553-13 553-14 553-15 553-90	RENTAL OF P.O. BOX, POSTAGE FEDERAL EXPRESS, UPS, FREIGHT, FAX PAGES XEROX SUPPLIES (REPAIRS & MAINT. CONTRACT TO 557-90) PAPER, PENS/PENCILS, BINDERS, GENERAL OFFICE SUPPLIES, MACINTOSH SUPPLIES OFFICE PERSONNEL MILEAGE PAPER TOWELS, WATER, SOAP, TOILET PAPER CERTIFICATIONS AND EXAMS FOR OFFICE PERSONNEL ONLY, CREDIT CARDS FEES ANYTHING ON PETTY CASH REPORT UNDER \$25.00 (EXCEPT MEALS & POSTAGE) FLOWERS, MEDICAL SUPPLIES, ADS FOR OFFICE HELP, GIFTS, COFFEE, GROCERY ITEMS, ETC. (EXCEPT HC, SC AND WEC - USE 553-50 THRU 553-72)
UTILITIES EXPENSE		
6759110 6759115 6759120 6759125 6759130 6759135 6759140 6759150 6759160 6759190	555-10 555-15 555-20 555-25 555-30 555-35 555-40 555-50 555-60 555-90	SUBDIVISION SUBDIVISION SUBDIVISION SUBDIVISION SUBDIVISION SUBDIVISION SUBDIVISION SUBDIVISION SUBDIVISION SUBDIVISION
WORK CALLS FROM HOME TO OTHER OFFICES DEDICATED COMPUTER LINES ALL OFFICES ELECTRIC BILLS ALL OFFICES WATER BILLS ALL OFFICES GAS BILLS MOBILE PHONES AND OPERATIONS TELEPHONES ALL TELEMETERING PHONE BILLS ALL OFFICE FAX MACHINES		

GENERAL ACCOUNT AND ACCOUNT NAME

OFFICE MAINTENANCE EXPENSE

CODE TO

CODING HINTS

6759210
6759220
6759230
6759240
6759250

557-10 OFFICE CLEANING SERVICE
557-20 OFFICE LANDSCAPING, MOWING & SNOWPLOWING
557-30 OFFICE GARBAGE REMOVAL
557-60 OFFICE REPAIR MACH & HEATING
557-90 OTHER OFFICE MAINTENANCE

OFFICE COST CENTER
OFFICE COST CENTER
OFFICE COST CENTER
OFFICE COST CENTER
OFFICE COST CENTER

EXTERMINATING, FIRE EXTINGUISHER RECHARGES, OFFICE MACHINE REPAIRS & MAINT CONTRACTS/AGREEMENTS FOR OFFICE EQPT

MISCELLANEOUS EXPENSE

6759300
6759301
6759320
7048050
7048055
7758370
7758380
7759390

559-00 MISC. EXPENSE
559-01 MISC. EXPENSE - SPECIAL
559-20 DONATIONS/CHARITY
559-50 EDUCATION FOR EXECUTIVES
559-55 OFFICE EDUCATION & TRAINING EXPENSE
559-70 HEADS & RELATED EXPENSES
559-80 BANK SERVICE CHARGES
559-90 OTHER MISCELLANEOUS GENERAL

01-0001 ONLY
01-0001 ONLY
01-0001 ONLY
02-0005 ONLY
OFFICE COST CENTER
PARENT
PARENT
OFFICE COST CTR/PARENT

AMVA CONFERENCES (FOR EXECS IN NBK OFFICE ONLY)
SEMINARS, SCHOOLING, BUSINESS TRAINING, RELATED TRAVEL EXPENSES (EXCEPT MEALS) FOR OFFICE PERSONNEL ONLY, OFFICE MANAGERS TRIPS
SERVICE CHARGE FROM PETTY CASH BANK ACCT.
LIEB FEES, CONVENTIONS-REGIONAL DIRECTORS, REGIONAL DIRECTOR EXPENSES
DONATIONS, X-MAS EXPENSES, HOTEL BILLS FOR REGIONAL DIRECTORS, ADVERTISING

WATER-MAINTENANCE EXPENSE - OPERATIONS

6759300
6759305
6759350
6759352
6759357
6759370
6759390

602-01 WATER-MAINTENANCE SUPPLIES
602-06 WATER-MAINTENANCE REPAIRS
602-07 WATER MAIN BREAKS (INCL. LEAKING MAINS)
602-09 WATER-ELECTRICAL EQUIPMENT REPAIR
602-70 WATER-PERMITTS
603-90 WATER-OTHER MAINTENANCE EXPENSES

SUBDIVISION/COST CENTER
SUBDIVISION
SUBDIVISION
SUBDIVISION
SUBDIVISION
SUBDIVISION

PARTS (IF BILL INCLUDES LABOR, USE 602-06 INSTEAD)
REPAIR BILLS WITH LABOR PERFORMED BY OTHERS OR IF CLAMP/WRAP, CALIBRATION OF METERS
POWER WASH WATER TOWER, REPAIR BROKEN WATER METERS
CONSIDER CAP & RETIRE IF REPLACE 8 FT. OF MAIN
CORRECT VOLTAGE, CYCLES, PHASE ROTATION
WATER PLANT PERMITTS
GRASS CUTTING, SNOW PLOWING, REPAIRS TO MOWERS, TRASH DISPOSAL, RED HOT, RUST REMOVER, PAINT, GENERATOR REPAIR

SEWER-MAINTENANCE EXPENSE - OPERATIONS

7754003
7754006
7754007
7754008
7754009
7754011
7755070
7755490

603-03 SEWER-MAINTENANCE SUPPLIES
603-06 SEWER-MAINTENANCE REPAIRS
603-07 SEWER-MAIN BREAKS (INCL. LEAKING MAINS)
603-08 SEWER-SLUDGE HAULING
603-09 SEWER-ELECTRICAL EQUIPMENT REPAIR
603-11 SEWER-SEWER RODDING
603-70 SEWER-PERMITTS
603-90 SEWER-OTHER MAINTENANCE EXPENSES

SUBDIVISION/COST CENTER
SUBDIVISION
SUBDIVISION
SUBDIVISION
SUBDIVISION
SUBDIVISION
SUBDIVISION
SUBDIVISION

PARTS (IF BILL INCLUDES LABOR, USE 603-06 INSTEAD)
REPAIR BILLS WITH LABOR PERFORMED BY OTHERS OR IF CLAMP/WRAP, CALIBRATION OF METERS
CONSIDER CAP & RETIRE IF REPLACE 8 FT. OF MAIN
CLEANING SLUDGE BEDS, HAULING & DUMPING FEES, PUMPED, REMOVED
GENERATOR REPAIR, CORRECT VOLTAGE, CYCLES, PHASE ROTATION
JET CLEANING, ROOT REMOVAL, POWER WASHING
SEWER PLANT PERMITTS
GRASS CUTTING, SNOW PLOWING, REPAIR MOWER/GATOR, TRASH DISPOSAL, RED HOT, RUST REMOVER, ODOR CTRL CHEM, DEGREASER (ORANGE FLUSH)

Item (4)

Item (4)

ACCOUNT NUMBER	DESCRIPTION	CODE TO	CODING HINTS
6254002	604-01 PART-TIME OPERATORS	SUBDIVISION/COST CENTER	INDEPENDENT CONTRACTORS NOT PAID THRU PAYROLL (EXCEPT GRASS CUTTING 602-90 OR 603-90)
6254003	604-02 OPERATORS - EXPENSES	COST CENTER	OPERATOR/AREA MGR. EXPENSES, TOOLS, AIRPORT PARKING, HOTEL BILLS, PH/TO IDS
6254005	604-05 COMMUNICATION EXPENSES	COST CENTER/SUB	PAGERS, TRUCK RADIOS, REPAIRS OF SAME. (IF ACTUAL RADIOS SEE 101-97)
6254110	604-10 OPERATORS - EDUCATION EXPENSES	COST CENTER/SUB	OPERATOR SCHOOL COURSE REGISTRATION, SCHOOL EXPENSES, HOTEL BILL FOR SCHOOL
6254112	604-12 UNIFORM RENTAL & CLEANING EXP.	COST CENTER/SUB	PURCHASING UNIFORMS
6254113	604-13 OPERATORS-POSTAGE	COST CENTER	POSTAGE, UPS, FEDERAL EXPRESS
6254114	604-14 OPERATORS-OFFICE SUPPLY STORES	COST CENTER	PENS/PENCILS, PAPER, FOLDERS
6254115	604-15 OPERATORS-PETTY CASH	COST CENTER	ANYTHING ON PETTY CASH REPORT UNDER \$25.00 EXCEPT MEALS
6254116	604-16 OPERATORS-MEMBERSHIPS	COST CENTER	CERTIFICATIONS, EXAMS, OPERS W/S LICENSES, CERT BONUSES WHEN SUB IS UNKNOWN/MULTIPLE.
6254117	604-17 OPERATORS-CLEANING SUPPLIES	COST CENTER	PAPER TOWELS, WATER, SOAP, TOILET PAPER
6254118	604-18 OPERATORS-OTHER OFFICE EXPENSES	COST CENTER/SUB	MEDICAL SUPPLIES, COFFEE, GROCERY ITEMS, PRINTING, BLUEPRINTS, XEROX, ANSWERING SVC
6254119	604-19 OPERATORS-PUBLICATIONS/SUBSCRIPTIONS	COST CENTER	ADVERTISEMENTS FOR OPERATORS W/S, TRASH PICKUP & BOOTS WHEN SUB IS UNKNOWN/MULTIPLE, FLASHING LIGHT/BARRICADE RENTAL, DONATIONS, BOTTLED WTR, FILM, FIRE EXTINGUISHER
6254120	604-20 SEWER TESTS	SUBDIVISION	MANUALS, NEWSPAPERS, BOOTS
6254121	606-10 WATER TESTS	SUBDIVISION	TOTAL COLIFORM, CADMIUM, NITROGEN, BACTERIA, FLOURIDE, LEAD, PH, PHOSPHOROUS
6254122	606-20 TESTING EQUIPMENT & CHEMICALS	SUBDIVISION/COST CENTER	(VOC SEE 186-49)
6254123	606-30 SAFE WATER DRINKING TEST	SUBDIVISION	FECAL COLIFORM, AQUEOUS, EFFLUENT, SUSPENDED SOLIDS, BOD, PH, C-BOD
6254124	609-10 OPERATORS - TRANS. REIMBURSEMENTS	PARENT	TEST KITS, LAB EQUIPMENT, CHEMICALS FOR TESTING - HOT PUT INTO SYSTEM, ELECTRODE
6254125	609-20 GASOLINE	PARENT	POLYGL, HACH
6254126	609-30 AUTO REPAIR & TIRES	PARENT	STATE OF SC COST CENTERS ONLY
6254127	609-40 AUTO LICENSES	PARENT	
6254128	609-90 OTHER TRANSPORTATION EXPENSES	PARENT	INSPECTION, BATTERY, OIL, AUTO PARTS, CAR WASHES
6254129	721-22 PERSONAL PROPERTY & ICT TAX	PARENT	VEHICLE STICKERS, REGISTRATION
6254130	OTHER INCOME ACCOUNTS	PARENT	CAR RENTAL
6254131	742-10 INTEREST INCOME - OTHER	PARENT	PERSONAL PROPERTY TAX ON VEHICLES
6254132	742-20 RENTAL INCOME	PARENT	
6254133	742-30 LABORATORY FEES INCOME	PARENT	
6254134	742-40 SALE OF TRANSPORTATION EQPT.	PARENT	
6254135	745-00 MISCELLANEOUS INCOME	PARENT	
INCOME FROM MANAGEMENT SERVICES			
4152000	746-00 INCOME FROM MANAGEMENT SERVICES	01-0001 ONLY	
4152001	746-01 MANAGEMENT FEE-OCEAN SANDS	01-0001 ONLY	CONTRACT OPERATOR: JOEL MORRIS
4152002	746-02 MANAGEMENT FEE-CYPRUS LAKE	01-0001 ONLY	CONTRACT OPERATOR: FL OFFICE

Item (4)

DEBIT ACCT	DEBIT ACCOUNT NAME	CODE TO	CODING HINTS
4141026	790-06 GAIN ON SALE - RIVERBEND	01-0001 ONLY	
4141019	790-19 GAIN ON SALE - NORTH CAROLINA	01-0001 ONLY	
4141024	790-24 GAIN ON SALE - FARMWOOD B	01-0001 ONLY	
4141026	790-26 GAIN ON SALE - HABERSHAM	01-0001 ONLY	
4141027	790-27 GAIN ON SALE - FARMWOOD 18/HIDDEN HILLS	01-0001 ONLY	
4141028	790-28 GAIN ON SALE - HALLARD CROSSING	01-0001 ONLY	
1111279	790-99 GAIN ON SALE - MISCELLANEOUS	01-0001 ONLY	
CAROLINA MATR. SERVICE, INC. (SC)			
6759050	553-50 COFFEE - CWS	01-0001 ONLY	
6759051	553-51 TAXICAB - CWS	01-0001 ONLY	LIMOS ONLY - TAXICABS ARE ALRIGHT.
6759052	553-52 XMAS/PICNICS - CWS	01-0001 ONLY	FOOD/ENTERTAINMENT FOR PARTIES
CAROLINA MATR. SERVICE, INC. (NC)			
6759051	553-51 TAXICAB - CWC	01-0001 ONLY	LIMOS ONLY - TAXICABS ARE ALRIGHT.
6759072	553-72 XMAS/PICNICS - CWC	01-0001 ONLY	FOOD/ENTERTAINMENT FOR PARTIES
MATR. SERVICE CORP. (WSCI)			
6759060	553-60 COFFEE - WSC	01-0001 ONLY	
6759061	553-61 LIMOS - WSC	01-0001 ONLY	LIMOS ONLY - TAXICABS ARE ALRIGHT.
6759062	553-62 XMAS/PICNICS - WSC	01-0001 ONLY	FOOD/ENTERTAINMENT FOR PARTIES
6759064	553-64 MISC OFFICE SUPPLIES - WSC	01-0001 ONLY	BIRD/POOL EXPS, ASSETS, DEPR/ACCUM DEPR, LAUNDRY SVC, WEDDING Q, FTS, FLOWERS, EXERCISE EQ.
4263000	797-00 NON UTILITY EXPENSES	01-0001 ONLY	ICT
3011000	101-00 CERTAIN ARTWORK - WSC	01-0001 ONLY	OTL PAINTINGS

**WATER SERVICE CORPORATION OF KENTUCKY
FIRST DATA REQUEST OF COMMISSION STAFF
RESPONSE TO ITEM (4)**

Allowance for Funds Used During Construction

The cost of debt and equity funds used to finance construction is capitalized as a cost element of property, with an offsetting credit to other income. The inclusion of AFUDC in plant enables the fair return on, and the recovery of, these capitalized costs by inclusion in rate base and depreciation.

AFUDC is calculated based on monthly expenditures on our capital projects in excess of \$5,000. AFUDC is calculated from the time the first dollar is spent on the project through the date it is placed in service. An exception is if invoices are still received after the project is placed in service. In this case AFUDC is charged until the date the last invoices are received if the invoices are significant to the total cost of the project.

Items that are classified as deferred maintenance do not have AFUDC charged to them.

The AFUDC rate is calculated based on the debt equity ratio of Utilities, Inc. at June 30 and December 31 of each year. The equity rate is provided by the regulatory department and represents what they believe is a fair equity return in a rate proceeding. The interest cost is calculated based on UI debt.

There are some companies in Florida where the Florida Public Service Commission regulates what the AFUDC rate is, therefore in these companies the rate is different than the UI calculated rate.

The split between AFUDC-equity and AFUDC-borrowed on the income statement is based on the debt equity structure of UI.

**WATER SERVICE CORPORATION OF KENTUCKY
FIRST DATA REQUEST OF COMMISSION STAFF
RESPONSE TO ITEM (4), SHEETS 1 THROUGH 2**

CAPITALIZATION GUIDELINES

Item (4)

Below please find items that should be capitalized [Note – this is not an all encompassing list]:

- Brand new items generally over \$250 (a single item). There are exceptions based on each invoice.
- Rewind, Rebuild, or replace whole item (ex: pump or motor).
- Raise, renew or reset - service line, meters, valves, pumps, & motors.
- Outfitting a new operator or new system with a supply of small tools.
- Landscaping around pump house, gravel for road to pump house, landscaping on main breaks.
- Bedliner, toolboxes & cross boxes for a new truck. Copy of invoice and P.O. to Brent Lawrence in the Northbrook Office.
- Truck repairs, which extend the life of the truck. (I.e., new engine)
- Maps of systems (cap to mains).
- Replacing feet of piping or sections of mains or service lines.
- New taps or services.
- Smoking out sewer main. If related to a major project.
- Computer parts & programs (Hard Drives, Macs, Printers...) Copy of invoice and P.O. to Jim Casados in the Northbrook Office.
- Costs related to a new acquisition (subdivision or a company). See Regulatory Department for Commission rules regarding Organization and Franchise costs for new acquisition.

Item (4)

- Customer water meters - should be capped regardless of price.
- Water & Sewer shut offs, where materials as curb stops or elder valves are used.
- All labor/material bills for a specific job should be cross-referenced and treated with the same code.

As noted above there are exceptions to the rules. If you have any questions please see the Director of Corporate Accounting.

**WATER SERVICE CORPORATION OF KENTUCKY
FIRST DATA REQUEST OF COMMISSION STAFF
RESPONSE TO ITEM (4), SHEETS 1 THROUGH 20**

Item (4)

Water Service Corporation
Distribution of Rate Base and Expenses
Handbook

CONFIDENTIAL

5. Provide a reconciliation and detailed explanation of each difference, if any, in the capital structure and the net investment rate base of Water Service for the test period.

Response: Witness – Kirsten Weeks. WSCK is a part of a consolidated group of companies, all wholly owned affiliates of Utilities, Inc. Therefore, there is no difference in the capital structure and the net investment rate base of WSCK for the test period.

6. List all business activities of Water Service aside from its regulated utility activities. For each activity listed, describe the accounting policies and procedures in place to ensure that those activities are not subsidized by regulated rates or vice versa.

Response: Witness – Kirsten Weeks. There are no business activities of WSCK aside from its regulated utility activities.

7. Provide a schedule listing each project included in the test period Construction Work in Progress ("CWIP"). Include a detailed description of each project included in the schedule.

Response: Witness – Kirsten Weeks. Please see item (3), sheet 14 of 27. In addition, the Company has estimated general ledger additions and capitalized time additions through December. These are located in item (3), sheets 16 and 17 of 27.

8. Provide a test-period general ledger showing account number, subaccount number, account title, subaccount title, and all entries to each account. For each entry state the date paid, vendor name, check number used to make payment and the amount. The general ledger shall include all asset, liability, capital, income, and expense accounts used by Water Service. All accounts should show activity for 12 month. Show the balance in each control and all underlying subaccounts per company books.

Response: Witness – Kirsten Weeks. Please see the enclosed general ledger, tab 8. The Company’s general ledger does not show check numbers used to make payment. Two copies are being provided due to the voluminous nature of the document.

WATER SERVICE CORPORATION OF KENTUCKY

RESPONSE TO ITEM 8

GENERAL LEDGER – TWO COPIES

9. For each cash account used by Water Service during the test year, provide a cash disbursements ledger that lists all checks in chronological order and details the date paid, check number, vendor, and amount.

Response: Witness – Kirsten Weeks. No such document exists for Water Service Corporation of Kentucky. Utilities, Inc. uses a highly centralized cash management system for all its operating companies.

10. Reconcile the test-period general ledger expense accounts to the expense amounts reported on page 30 of Water Service's 2004 annual report.

Response: Witness – Kirsten Weeks. Please see the enclosed reconciliation, tab 10.

**WATER SERVICE CORPORATION OF KENTUCKY
FIRST DATA REQUEST OF COMMISSION STAFF
RESPONSE TO ITEM (10), SHEETS 1 THROUGH 3**

**WATER SERVICE CORPORATION OF KENTUCKY
 FIRST DATA REQUEST OF COMMISSION STAFF
 RESPONSE TO ITEM (10)**

<u>Dollar Amount</u>	<u>General Ledger Accounts</u>	<u>Annual Report Accounts</u>
\$ 398,208	6019020	601
	6019040	601
	6019045	601
	6019050	601
\$ 103,251	6049010	604
	6049011	604
	6049012	604
	6049015	604
	6049020	604
	6049050	604
	6049055	604
	6049060	604
	6049065	604
	6049067	604
	6049070	604
\$ 85,614	6049080	604
	6049090	604
\$ 42,515	6101010	610
\$ 79,315	6151010	615
	6151040	615
\$ 8,788	6181010	618
	6181090	618
	6309011	631
\$ 11,875	6329002	631
	6329013	631
	6329014	636
	6338001	636
	6369003	636
	6369005	636
6369006	636	

		6369007	636
		6369009	636
		6369012	636
		6759003	636
		6759016	636
\$	18,492	6419090	641
\$	68,321	6599090	659
\$	16,800	6708000	670
		6708001	670
\$	247,129	6759080	675
(includes \$5,597 of		6759402	675
allocated depreciation)		6759405	675
		5759412	675
		6759415	675
		6759490	675
		6205003	675
		6759017	675
		6759018	675
		6759019	675
		6759410	675
		6759413	675
		6759414	675
		6759416	675
		6501020	675
		6501030	675
		6509090	675
		6509110	675
		6755090	675
		5759503	675
		6759506	675
		6759507	675
		6759509	675
		6355010	675
		6355030	675
		7352020	675
		6759005	675
		6759007	675
		6759011	675
		6759012	675
		6759051	675

6759001	675
6759004	675
6759006	675
6759008	675
6759009	675
6759010	675
6759013	675
6759014	675
6759090	675
6759110	675
6759120	675
6759125	675
6759130	675
6759135	675
6759140	675
6759190	675
6759210	675
6759220	675
6759230	675
6759260	675
6759290	675
6759330	675
7048050	675
7048055	675
7758370	675
7758380	675
7758390	675

11. Provide a copy of all audit adjustments made for the test-period financial statements.

Response: Witness – Kirsten Weeks. No audit adjustments were made to the test-period financial statements.

12. a. Provide a list of all employees employed during the test period. For each employee listed, provide the following:
- (1) Name
 - (2) Title
 - (3) Length of employment with Water Service.
 - (4) Job duties
 - (5) Test-period pay rate and current pay rate
 - (6) Test-period regular time worked and overtime worked
 - (7) Percentage of test-period payroll capitalized
 - (8) Total test period payroll expenses and capitalized
 - (9) Type of employee benefits (i.e., health insurance, dental insurance, vision insurance, pension, etc.) and amounts paid for each by Water Service.
- b. Provide a copy of the employee information requested in 12(A) on a computer disk in Microsoft Excel 97 format.
- c. Provide the employer retirement contribution rate(s) that were effective during calendar year 2004, including the date the rate became effective.
- d. If the employer retirement contribution rate will be changed in calendar year 2005, provide the rate, the reason for the change, and the date it will become effective.

Response:

- a. Witness – Kirsten Weeks. Please see the enclosed information labeled item (12), sheets 1 through 2, tab 12. This details employee name, title, and job description. Determining the amount of capitalized payroll by employee can be done, but is overly burdensome and cannot be completed in the appropriate amount of time for this data request. However, the percentage of total payroll capitalized can be provided in response to this data request. Capitalization rates are computed based on salary, benefits, and payroll taxes. In 2004, employees capitalized a total of \$125,579 to WSCK. Total salary, benefits, and payroll taxes allocated to WSCK for 2004 was \$670,384 (before any adjustments to allocations). This computes to 18.73% of total salary, benefits, and payroll taxes being allocated. Finally, since employees providing service to WSCK and all other operating subsidiaries are employed by Water Service Corporation,

benefits are also paid by such. These benefits are then allocated out to all operating companies. Please see the Water Service Corporation Distribution of Expenses manual provided with the application, as well as the workpapers provided in response to item (3), specifically sheet 2 of 27. All benefits paid by Water Service Corporation are included in the employee benefits manual, which is being given in response to item (20)(b). Information on wages and benefits has been filed under a petition for confidentiality.

- b. Witness – Kirsten Weeks. This information is not available in Microsoft Excel 97 format.
- c. Witness – Kirsten Weeks. The employer retirement contribution rate is 3%. This rate is determined at the end of the year by the Board of Directors.
- d. Witness – Kirsten Weeks. The rate is expected to remain at 3% for 2005. The 3% employer retirement contribution rate has been consistent for a number of years.

**WATER SERVICE CORPORATION OF KENTUCKY
FIRST DATA REQUEST OF COMMISSION STAFF
RESPONSE TO ITEM (12), SHEETS 1 THROUGH 2**

Item (12)

WATER SERVICE CORPORATION OF KENTUCKY
FIRST DATA REQUEST OF COMMISSION STAFF
RESPONSE TO ITEM (12)(a)(2) and (12)(a)(4)

<u>Employee</u>	<u>Title</u>	<u>Job Description</u>
Bolt, Gregory C	Operator	Performs daily routine operations to system
Heck, Travis N	Meter Reader	Reads meters
Johnson, Harvey H	Operator	Performs daily routine operations to system
Leonard, James R	Regional Manager	Oversees KY operators specifically
Mills, Wendell G	Operator	Performs daily routine operations to system
Onkst, James H	Meter Reader	Reads meters
Partin, Michael W	Operator	Performs daily routine operations to system
Pickard, Michael A	Area Manager	Manages Middlesboro operations
Russell, R D	Area Manager	Manages Middlesboro operations
Spurlock, Charles F	Operator	Performs daily routine operations to system
Turner, John R	Operator	Performs daily routine operations to system
Yates Jr., Bobby E	Area Manager	Manages Clinton Operations
Cox, David T	Laborer	Part time miscellaneous labor
Daniel, Carl	Vice President & Regional Director	Oversees KY operations as well as other regions
Petrey, Vivian A	Customer Service Representative	Addresses customer concerns and calls
Standifer, Reba F	Office Manager	Oversees office operations
Thomas, Pamela	Customer Service Representative	Addresses customer concerns and calls
Camaren, Jim	CEO	Oversees all aspects of UI
Schumacher, Lawrence	President & CFO	Oversees financial operations of UI
Crossett, Lisa	Director of Operations	Oversees operations for all UI companies
Lubertozzi, Steven	Director of Regulatory Accounting	Oversees regulatory matters for all UI companies
Amoux, Diane	Payroll	Performs payroll duties
Cohn, Michelle	Senior Accountant	Performs corporate accounting duties
Delgado, Daniel	Manager, Planning & Analysis	Performs and tests internal controls for UI
Friedman, Avelina	Account Manager	Bookkeeping accounting functions
Luppino, Nancy	Account Manager	Bookkeeping accounting functions
Haynes, John	Director of Corporate Accounting	Oversees all corporate accounting matters for UI companies
Silvey, Justine	Human Resource Generalist	Performs duties relating to benefits, hiring, termination, other HR issues
Aylin, Sue	Executive Assistant	Administrative assistant to directors, CEO, and CFO
McGrain, Pamela	Account Manager	Bookkeeping accounting functions
Kocan, Chris	Senior Accountant	Performs corporate accounting duties
Guidice, Joyce	Benefits Coordinator	Handles company benefits

Item (12)

<u>Employee</u>	<u>Title</u>	<u>Job Description</u>
Weeks, Kirsten	Senior Regulatory Accountant	Performs duties relating to regulatory matters, i.e. rate filings, etc.
Turov, Igor	Accountant	Performs corporate accounting duties
Bernardi, Brad	Senior Analyst, Planning & Analysis	Performs and tests internal controls for UI
Dihel, Steven	Regulatory Accountant	Performs duties relating to regulatory matters, i.e. rate filings, etc.
Luppino, Phyllis	Account Manager	Bookkeeping accounting functions
Baratz, Daniel	Regulatory Accountant	Performs duties relating to regulatory matters, i.e. rate filings, etc.
Cabugason, Art	Operations Analyst	Tracks all aspects of operations
Gingery, Todd	Administrative Clerk	Clerical duties
Lawrence, Brent	Administrative Services	Clerical duties, maintains vehicle records
Matthews, Mary Ellen	Billing Manager	Billing for all UI operating companies
Schiopu, Mircea	Mail Room Services	Mailing for all UI operating companies
Parrish, Marge	Receptionist	Administrative and clerical duties
Paulie, Nancy	Receptionist	Administrative and clerical duties
Lowman, Adrienne	Corporate Customer Services Manager	Manages customer service for all UI operations
Owens, Patricia	Director of Customer Relations & Administrative Services	Oversees customer relations and administrative services for all UI
Casados, Jim	MIS Manager	Manages IT department
Gingery, Karen	Data Processing Coordinator	Performs data processing duties
Belet, Erica	Network Administrator	Performs duties to ensure network is running properly
Gomez, Sam	Data Entry	Invoice and other data entry
Friedlander, Larry	Assistant MIS Manager	Assists in managing IT department

**WATER SERVICE CORPORATION OF KENTUCKY
FIRST DATA REQUEST OF COMMISSION STAFF
RESPONSE TO ITEM (12)(a)(5)**



Payroll Register

WATER SERVICE CORP
Company Code: JCT

Batch : 5728-060

Period Ending : 10/11/2005

Week 40

Pay Date : 10/07/2005

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Payroll Register

WATER SERVICE CORP
Company Code: JCT

Batch : 5728-060

Period Ending : 10/11/2005

Week 40

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Pay Date : 10/07/2005



Payroll Register

WATER SERVICE CORP

Company Code: JCT

Batch : 5728-060

Period Ending : 10/11/2005

Week 40

Pay Date : 10/07/2005

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110000

.00



Payroll Register

WATER SERVICE CORP
Company Code: NKC

Batch : 6058-060

Period Ending : 10/15/2005

Week 41

Pay Date : 10/12/2005

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Payroll Register

WATER SERVICE CORP
Company Code: NKC

Batch : 6058-060

Period Ending : 10/15/2005

Week 41

Pay Date

10/12/2005

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Payroll Register

WATER SERVICE CORP

Company Code: JCT

Batch : 5728-060 Period Ending : 10/11/2005 We
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Payroll Register

WATER SERVICE CORP

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WATER SERVICE CORPORATION OF KENTUCKY

RESPONSE TO ITEM 12(b)

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Utilities, Inc.

Employee Manual

Welcome To Utilities, Inc.

Dear New Employee:

We are very happy to welcome you to Utilities, Inc. and our affiliated companies (hereinafter referred to as Utilities, Inc.). Thank you for joining us! You have joined an organization that prides itself on having established an outstanding reputation as a quality water and wastewater service provider. Our reputation depends upon all of our employees working together. We hope you, too, will find satisfaction and take pride in your work here.

This manual provides answers to most of the questions you may have about Utilities, Inc.'s benefit programs as well as the company policies and procedures—our responsibilities to you and your responsibilities to Utilities, Inc. If anything is unclear, please discuss the matter with your manager. You are responsible for reading and understanding this Employee Manual, and your performance evaluations will reflect your adherence to Utilities, Inc.'s policies. We hope this Employee Manual also gives you an indication of our interest in the welfare of all our co-workers.

From time to time, the information included in our Employee Manual may change. Every effort will be made to keep you informed through suitable lines of communication, including discussions held with your supervisor, postings on company bulletin boards, or notices sent directly to your home.

Compensation and personal satisfaction gained from doing a job well are only some of the reasons most people work. Most likely, many other factors count among your reasons for working—pleasant relationships and working conditions, career development and promotion opportunities, and health and retirement benefits to name a few. Utilities, Inc. is committed to doing its part to assure you of a satisfying and rewarding work experience.

I extend to you my personal best wishes for your success and happiness at Utilities, Inc.

Sincerely,

James Camaren
Chairman and Chief Executive Officer

Purpose Of This Manual

This manual has been prepared to inform you about Utilites, Inc.'s history, philosophy, employment practices, and policies as well as the benefits provided to you as a valued employee and the conduct expected from you. We hope this manual will help answer most questions. We ask that you read the manual carefully and refer to it whenever questions arise. We also suggest that you take it home so your family can become familiar with Utilites, Inc. and our policies.

Notice

The policies in this manual are to be considered as guidelines. Utilites, Inc., at its option, may change, delete, suspend or discontinue any part or parts of the policies in this manual at any time without prior notice. Any such action shall apply to existing as well as future employees with continued employment being the consideration between the employer and employee. Employees may not accrue eligibility for monetary benefits (provided for in writing) that they have not earned through actual time spent at work. Employees shall not accrue eligibility for any benefits, rights, or privileges beyond the last day worked. No one other than the designated company management of Utilites, Inc. may alter or modify any of the policies in this manual. No statement or promise by a supervisor, manager, or department head may be interpreted as a change in policy, nor will it constitute an agreement with an employee.

Should any provision in this Employee Manual be found to be unenforceable and invalid, such finding does not invalidate the entire Employee Manual but only the subject provision.

Receipt And Acknowledgment Of The Utilities, Inc. Employee Manual

This Employee Manual is an important document intended to help you become acquainted with Utilities, Inc. This manual will serve as a guide. However, individual circumstances may call for individual attention.

Because the general business atmosphere of Utilities, Inc. and economic conditions are always changing, the contents of this manual may be changed at any time at the discretion of Utilities, Inc. No changes in any benefit, policy or rule will be made without due consideration of the mutual advantages, disadvantages, benefits and responsibilities such changes will have upon you as an employee and upon Utilities, Inc.

Please read the following statements and sign below to indicate your receipt and acknowledgment of the Utilities, Inc. Employee Manual.

- I have received and read a copy of the Utilities, Inc. Employee Manual. I understand that the policies, rules and benefits described in it are subject to change at the sole discretion of Utilities, Inc. at any time.
- I further understand that my employment is terminable at will, either by myself or by Utilities, Inc., regardless of the length of my employment or the granting of benefits of any kind, including but not limited to profit sharing benefits which provide for vesting based upon length of employment.
- I understand that no contract of employment other than "at will" has been expressed or implied and that no circumstances arising out of my employment will alter my "at will" employment relationship unless expressed in writing, with the understanding specifically set forth and signed by myself and the Chairman of Utilities, Inc.
- I am aware that during the course of my employment confidential information will be made available to me, i.e., customer lists, rate structures, and other related information. I understand that this information is critical to the success of Utilities, Inc. and must not be disseminated or used outside of Utilities, Inc.'s premises. In the event of termination of employment, whether voluntary or involuntary, I hereby agree not to utilize or exploit this information with any other individual or company.

Our centralized control of a large number of separate companies eliminates duplication of effort and produces significant economies of scale. In turn, these efficiencies directly benefit customers through reduced operating costs.

Increasing customer value has always been a high priority for the company. The excellent reputation we have established with numerous state regulatory agencies supports our philosophy of emphasis on service and protecting the environment. We are certain that the utility commissions and state health departments would be extremely cooperative regarding any inquiries made in reference to the customer service provided by Utilities, Inc. and our subsidiaries.

We are proud of our outstanding record of growth and accomplishment since our inception. We will continue our dedication to protect the environment and maximize value to the customer through efficient operations, superior quality, and exceptional service.

What You Can Expect From Utilities, Inc.

Utilities, Inc.'s established employee relations policy is to:

1. Operate an economically successful business so that a consistent level of steady work is available.
2. Select people on the basis of skill, training, ability, behavior, and character without discrimination with regard to age, sex, color, race, creed, national origin, religious persuasion, marital status, political belief, or disability that does not prohibit performance of essential job functions.
3. Pay all employees according to their effort and contribution to the success of our business.
4. Review wages, employee benefits and working conditions constantly with the objective of providing maximum benefits that are consistent with sound business practices.
5. Provide paid vacations and holidays to all eligible employees.
6. Provide eligible employees with medical, disability, retirement and other benefits.
7. Dedicate ourselves to excellence in the services provided to our customers.
8. Develop competent people who understand and meet our objectives and who accept with open minds the ideas, suggestions and constructive criticisms of fellow employees.
9. Assure employees, after talking with their managers, an opportunity to discuss any problem with officers of Utilities, Inc.
10. Make prompt and fair adjustment of any complaints which may arise in the everyday conduct of our business to the extent that is practicable.
11. Respect individual rights and treat all employees with courtesy and consideration.
12. Provide buildings and offices that are attractive, comfortable, orderly and safe.

13. Promote employees on the basis of their ability and merit.
14. Make promotions or fill vacancies from within Utilities, Inc. whenever possible.
15. Keep all employees informed of the progress of Utilities, Inc. as well as the Company's overall aims and objectives.
16. Provide a spirit of friendliness and cooperation so that Utilities, Inc. will continue to be a great place to work.

What Utilities, Inc. Expects From You

The only things we require for employment, compensation, advancement, and benefits are performance and good team behavior. However, all employment at Utilities, Inc. is "at will". No one will be denied opportunities or benefits on the basis of age, sex, color, race, creed, national origin, religious persuasion, marital status, political belief, or disability that does not prohibit performance of essential job functions, nor will anyone receive special treatment for those reasons.

Your primary responsibility is to know your own duties and how to fulfill them promptly, correctly and pleasantly. You are expected to cooperate with management and your fellow employees and maintain good team behavior. How you interact with fellow employees and those whom Utilities, Inc. serves and how you accept direction can affect the success of your department. In turn, the performance of one department can impact the entire service offered by Utilities, Inc. Consequently, whatever your position, you have an important assignment: perform every task to the very best of your ability. The result will be better performance for the company overall and personal satisfaction for you.

You are encouraged to grasp opportunities for personal development that are offered to you. We strongly believe you should have the right to make your own choices in matters that concern and control your life. We believe in direct access to management. We are dedicated to making Utilities, Inc. a company where you can approach your manager, or any member of management, to discuss any problem or question. We expect you to voice your opinions and contribute your suggestions to improve the quality of Utilities, Inc. We're all human, so please communicate.

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Personnel Administration

The task of handling personnel records and related personnel administration functions at Utilites, Inc. has been assigned to the Employee Services Department in the Northbrook corporate office. Questions regarding insurance, wages, and interpretation of policies may be directed to your local manager and the Employee Services Department.

Your Personnel File

Keeping your personnel file up-to-date can be important to you with regard to pay, deductions and benefits. If you have a change in any of the following categories, please be sure to notify your manager and the Employee Services Department as soon as possible:

- Legal name
- Home address
- Home telephone number
- Person to call in case of emergency
- Number of dependents
- Marital status
- Change of beneficiary
- Driving record or status of driver's license if you operate any Utilites, Inc. vehicles
- Military or draft status
- Exemptions on your W-4 tax form

Coverage or benefits that you and your family may receive under Utilites, Inc.'s benefits package could be negatively affected if the information in your personnel file is incorrect.

You may see information which is kept in your own personnel file if you wish, and you may request and receive copies of all documents you have signed. Please ask your manager to make arrangements for you with the Employee Services Department.

Employment Classifications

At the time you are hired, you are classified as either a full-time, part-time or temporary employee. Unless otherwise specified, the benefits described in this manual apply only to full-time employees. If you are unsure of which job classification your position fits into, please ask your manager for clarification.

Full-Time Employees

An employee who has completed employment of ninety (90) days and who works at least forty (40) hours per week is considered a full-time employee.

Part-Time Employees

An employee who works less than a forty (40) hour workweek is considered a part-time employee. If you are a part-time employee, please understand that you are not eligible for the benefits described in this manual except as granted on occasion or to the extent required by provision of state and Federal laws. However, part-time employees who work 30 hours per week on a permanent basis are entitled to health, life, and travel/accident insurance benefits. (This excludes any person working on a temporary or seasonal basis.)

Temporary Employees

From time to time, Utilities, Inc. may hire employees for specific periods of time or for the completion of a specific project. An employee hired under these conditions will be considered a temporary employee. The job assignment, work schedule and duration of the position will be determined on an individual basis.

Normally, a temporary position will not exceed six (6) months in duration, unless specifically extended by a written agreement. Summer employees are considered temporary employees. If you are a temporary employee, please understand that you are not eligible for the benefits described in this manual, except as granted on occasion, or to the extent required by provision of state and Federal laws.

Employment Policies

One of the first things you should do is carefully read this manual. It is designed to answer many of your questions about the practices and policies of Utilities, Inc., define terms, answer what you can expect from Utilities, Inc., and answer what Utilities, Inc. expects from you.

Anniversary Date

The first day you report to work is your official anniversary date. Your anniversary date is used to compute various conditions and benefits described in this manual.

"At Will" Employment

All employment and compensation with Utilities, Inc. is "at will" in that they can be terminated with or without cause, and with or without notice, at any time, at the option of either Utilities, Inc. or yourself except as otherwise provided by law.

Business Hours

Your particular hours of work and the scheduling of your unpaid lunch period will be determined and assigned by your manager or department head. All offices and operations should schedule their employees to provide maximum coverage for customer service. Offices may use flexible hours, but each office should be open until 5:00 PM. Please consult your local Regional Office Manager for specific local hours. All time worked in excess of the eight (8) hour work period must be approved in advance by your supervisor.

Confidential Information

Our customers and suppliers and vendors entrust Utilities, Inc. with important information relating to their businesses. The nature of this relationship requires us to maintain confidentiality. In safeguarding the information received, Utilities, Inc. earns the respect and further trust of our customers, suppliers and vendors.

Your employment with Utilities, Inc. assumes an obligation to maintain confidentiality even after you leave our employ. Any violation of confidentiality seriously injures Utilities, Inc.'s reputation and effectiveness. Therefore, please do not discuss Utilities, Inc. business with anyone who does not work for us, and never discuss business transactions with anyone who does not have a direct association with the transaction.

If you are questioned by someone outside your department or the company and you are concerned about the appropriateness of relating certain information, remember that you are not required to

answer and that we do not wish you to do so. Instead, as politely as possible, refer the request to your manager.

No one is permitted to remove or make copies of any Utilities, Inc. records, reports or documents without prior management approval. Because of its seriousness, disclosure of confidential information could lead to dismissal.

Customer Relations

The success of Utilities, Inc. depends upon the quality of the relationships between our employees and our customers. The more goodwill you promote, the more our customers will respect and appreciate you and our products and services. Therefore, excellent customer service is one of our highest priorities.

Driver's License And Driving Record

Employees whose work requires operation of a motor vehicle must present and maintain a valid driver's license and a driving record acceptable to our insurer. You will be asked to submit a copy of your driving record or allow access to this record by Utilities, Inc. from time to time. Any changes in your driving record must be reported to your supervisor immediately. Failure to do so may result in disciplinary action, including possible dismissal.

Equal Employment Opportunity

Utilities, Inc. provides equal employment opportunity for everyone regardless of age, sex, color, race, creed, national origin, religious persuasion, marital status, political belief, or disability that does not prohibit performance of essential job functions. In addition, laws regarding veterans' status are observed. This is reflected in all Utilities, Inc. practices and policies regarding hiring, training, promotions, transfers, rates of pay, layoffs, and other forms of compensation. All matters relating to employment are based on ability to perform the job, as well as dependability and reliability once hired.

Harassment

Utilities, Inc. intends to provide a work environment that is pleasant, healthful, comfortable, and free from intimidation, hostility or other offenses which might interfere with work performance. Harassment of any sort—verbal, physical, visual—will not be tolerated.

What is Harassment?

Harassment can take many forms and is not necessarily sexual in nature. It may be, but is not limited to: words, signs, jokes, pranks, intimidation, physical contact, or violence. Sexual harassment may

include unwelcome sexual advances, requests for sexual favors, or other verbal or physical contact of a sexual nature when such conduct creates an intimidating environment, prevents an individual from effectively performing the duties of his/her position, or when such conduct is made a condition of employment or compensation, either implicitly or explicitly.

Responsibility

Any employee who becomes aware of an incident of harassment, whether by witnessing the incident or being told of it, must report it to a manager, the Employee Services Department, or any officer of Utilities, Inc. with whom you feel comfortable. Appropriate investigation and disciplinary action will be taken. Any employee found to have harassed a fellow employee or subordinate will be subject to severe disciplinary action or possible discharge. Utilities, Inc. will also take any additional action necessary to appropriately correct the situation. Utilities, Inc. will not hold anything against any employee who makes a good-faith report of alleged harassment even if the employee was in error. When Utilities, Inc. becomes aware that harassment might exist, it is obligated by law to take prompt and appropriate action whether or not the victim wants the company to do so.

Utilities, Inc. accepts no liability for harassment of one employee by another employee. The individual who makes unwelcome advances, threats, or in any way harasses another employee is personally liable for such actions and their consequences. Utilities, Inc. will not be responsible for providing legal, financial or any other type of assistance to an individual accused of harassment if a legal complaint is filed.

Pre-Placement

Your placement with Utilities, Inc. is contingent upon passing a background check and drug screen at Utilities, Inc.'s expense. Also, at any point during your employment, you may be asked to undergo a drug test on company time and at Utilities, Inc.'s expense.

Benefit Waiting Period

During your first ninety (90) days of employment at Utilities, Inc. you will not accrue the benefits described in this manual unless otherwise required by law.

Knowledge Of Utilities, Inc.

While you are learning to competently perform your own duties, you should also familiarize yourself with other Utilities, Inc. activities. This can prove valuable to you and our customers. Utilities, Inc. may provide additional "cross-training."

Outside Employment

If you are thinking of taking on a second job, please notify your manager immediately. He or she will thoroughly discuss this opportunity with you to make sure that it will not pose a conflict of interest.

Proof Of U.S. Citizenship And Right To Work

Federal regulations require that 1) before being placed on the job, all applicants must complete and sign Federal Form I-9, Employment Eligibility Verification Form; and 2) all applicants who are hired need to present documents of identity and eligibility to work in the United States.

We Need Your Ideas

Ask any of our employees who have worked with us for a long time and they will probably tell you of the many changes and improvements that have come about in their departments since they first joined us. We believe the person doing a job is in the best position to think of ways of doing it more easily, more efficiently, and more effectively. If you think of a better way of doing your job or the job of a fellow employee, discuss it with your manager, who will welcome your suggestions and ideas.

Remember, there will always be areas in Utilities, Inc.'s operations that can be improved. These could be in service, operations methods, equipment, communications, safety, cost control, losses, waste reduction, or in other areas where you may see a need for improvement. Please give us the benefit of your unique experience and thoughts. Your contributions, as well as those of others, could expand your profit sharing! Also, make sure to document your innovations and money saving efforts and have them placed in your personnel file (include dates, detailed descriptions of your contributions, estimates from the accounting department regarding cost savings or profits generated, etc.). These may favorably affect your wage, salary, promotion, or performance reviews.

Standards Of Conduct

Whenever people gather together to achieve goals, some rules of conduct are needed to help everybody work together efficiently, effectively, and harmoniously. By accepting employment with us, you have a responsibility to Utilities, Inc. and to your fellow employees to adhere to certain rules of behavior and conduct. The purpose of these rules is not to restrict your rights, but rather to be certain that you understand what conduct is expected and necessary. When each person is aware that he or she can fully depend upon fellow workers to follow the rules of conduct, then our organization will be a better place to work for everyone.

Unacceptable Activities

Generally speaking, we expect each person to act in a mature and responsible way at all times. However, to avoid any possible confusion, some of the more obvious unacceptable activities are noted below. Your avoidance of these activities will be to your benefit as well as the benefit of Utilities, Inc. If you have questions concerning a work or safety rule, or any of the unacceptable activities listed, please see your manager for an explanation.

Occurrences of any of the following violations, because of their seriousness, may result in immediate dismissal or suspension without pay. (This list is not all inclusive.)

- Willful violation of security or safety rules or failure to observe safety rules or Utilities, Inc.'s safety practices; failure to wear required safety equipment; tampering with Utilities, Inc.'s operating or safety equipment.
- Willful violation of any company rule; any deliberate action that is extreme in nature and is obviously detrimental to Utilities, Inc.'s efforts to operate profitably.
- Negligence or any careless action which endangers the life or safety of another person.
- Being intoxicated or under the influence of controlled substance drugs while at work; use or possession or sale of controlled substance drugs in any quantity, while on company premises, except for medications prescribed by a physician which do not impair work performance.

- Unauthorized possession of dangerous or illegal firearms, weapons or explosives on company property or while on duty.
- Engaging in criminal conduct or acts of violence or making threats of violence toward anyone on company premises or when representing Utilities, Inc.; fighting, or horseplay or provoking a fight on company property; negligent damage of property.
- Insubordination or refusing to obey instructions properly issued by your manager pertaining to your work; refusal to help out on a special assignment.
- Threatening, intimidating or coercing fellow employees on or off the premises—at any time, for any purpose.
- Engaging in an act of sabotage; willfully or with gross negligence causing the destruction or damage of company property or the property of fellow employees, customers, suppliers, or visitors in any manner.
- Theft of Company property or the property of fellow employees; unauthorized possession or removal of any Company property (including documents) from the premises without prior permission from management; unauthorized use of Company equipment or property for personal reasons; using Company equipment for profit.
- Dishonesty; willful falsification or misrepresentation on your application for employment or other work records; lying about sick or personal leave; falsifying reason for a leave of absence or other data requested by Utilities, Inc.; alteration of Company records or other Company documents.
- Violating the non-disclosure agreement; giving confidential or proprietary Utilities, Inc. information to competitors or other organizations or to unauthorized Utilities, Inc. employees; working for a competing business while a Utilities, Inc. employee; breach of confidentiality of personnel information.
- Malicious gossip or spreading rumors; engaging in behavior designed to create discord and lack of harmony; interfering with another employee on the job; willfully restricting work output or encouraging others to do the same.
- Immoral conduct or indecency on Company property.

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Occurrences of any of the following activities, as well as violations of any Utilities, Inc. rule or policy, may be subject to disciplinary action, including immediate dismissal or suspension without pay. This list is not all-inclusive, and, notwithstanding this list, all employees remain employed "at will".

- Unsatisfactory or careless work; failure to meet operation or quality standards as explained to you by your manager; mistakes due to carelessness or failure to get necessary instructions.
- Any act of harassment, sexual, racial or other; telling sexist or racial-type jokes; making racial or ethnic slurs.
- Leaving work before the end of a workday or not being ready to work at the start of a workday without approval of your manager; stopping work before time specified for such purposes.
- Sleeping on the job; loitering or loafing during working hours.
- Excessive use of Company telephone for personal calls.
- Creating or contributing to unsanitary conditions.
- Failure to report an absence or late arrival or having excessive absenteeism or lateness.
- Obscene or abusive language toward any manager, employee or customer; indifference or rudeness toward a customer or fellow employee; any disorderly or antagonistic conduct on Company premises.
- Speeding or careless driving of any Company vehicle.
- Failure to immediately report damage to, or an accident involving, Company equipment.
- Soliciting during working hours or in working areas; selling merchandise or collecting funds for charities, without authorization, on Company premises; during business hours or at a time or place that interferes with the work of others.
- Failure to maintain a neat and clean appearance in terms of the standards established by your manager; any departure from accepted conventional modes of dress or personal grooming; wearing improper or unsafe clothing.

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Disciplinary Actions

Unacceptable behavior which does not lead to immediate dismissal may be dealt with in one or more of the following manners.

- Verbal warning
- Written warning
- Dismissal
- Suspension without pay

Written warnings will include the reasons for the manager's dissatisfaction and any supporting evidence. You will have an opportunity to defend your actions and rebut the opinion of your manager at the time the warning is issued.

All pertinent facts will be carefully reviewed, and the employee will be given a full opportunity to explain his or her conduct before any decision is reached regarding eventual dismissal.

Dismissal

Employment and compensation with Utilities, Inc. is "at will" in that they can be terminated with or without cause, and with or without notice, at any time, at the option of either Utilities, Inc. or yourself, except as otherwise provided by law.

If your performance is unsatisfactory due to lack of ability, failure to abide by Utilities, Inc.'s rules, or failure to fulfill the requirements of your job, you will be notified of the problem. If satisfactory change does not occur, you may be dismissed. Some incidents may result in immediate dismissal.

Wage And Salary Policies

Utilities, Inc. has developed policies to ensure wages and salaries comparable to those of other employees with similar jobs at Utilities, Inc. or in our industry. Our wage and salary policy is designed to attract and retain the best-matched people available. To carry out this policy, we periodically compare our wage and salary policy with community rates for similar positions using appropriate published information from sources like statewide business organizations, local chambers of commerce, state and national organizations, various management reports, and various local, state and Federal agencies.

Deductions From Paycheck (Mandatory)

Utilities, Inc. is required by law to make certain deductions from your paycheck each time one is prepared. Among these are your Federal, state, and local income taxes and your contribution to Social Security as required by law. These deductions will be itemized on your check stub. The amount of the deductions may depend on your earnings and on the information you furnish on your W-4 form regarding the number of dependents or exemptions you claim. Any change in name, address, telephone number, marital status, or number of exemptions must be reported to your manager or the Employee Services Department immediately to ensure proper credit for tax purposes. The W-2 form you receive for each year indicates precisely how much of your earnings were deducted for these purposes.

Any other mandatory deductions to be made from your paycheck, such as court-ordered attachments, will be explained whenever Utilities, Inc. is ordered to make such deductions. Some states may require other payroll deductions.

Direct Deposit

It may be possible for you to authorize Utilities, Inc. to deposit your paycheck directly into your savings or checking account at a participating bank. Contact the Employee Services Department for details and the necessary authorization forms.

If your employment with Utilities, Inc. terminates (either voluntarily or involuntarily), your final payroll will be in the form of a check. It will not be directly deposited. The check will be mailed to your home, or in the event you still possess Utilities, Inc.'s property or have not completed your termination paperwork, your paycheck will be mailed to your supervisor. You may pick up your check when you return the Company's property and complete the termination paperwork.

Error In Pay

Every effort is made to avoid errors in your paycheck. Furthermore, the Company prohibits pay deductions from exempt and non-exempt employee pay which do not conform to Federal and state regulations. If you believe an error has been made, tell your manager immediately. He or she will take the necessary steps to research the problem and to ensure that any necessary correction is made properly and promptly.

Pay Period

Payday is dependent upon status. Exempt employees will be paid semi-monthly. This consists of a pay period covering the first through the 15th of the month and the 16th through the end of the month. Non-exempt employees will be paid on a biweekly pay schedule.

Overtime Calculation

All hours physically worked in excess of forty (40) in any one (1) work week will be paid at a rate of 1-1/2 times the regular hourly rate for the non-exempt employee. Hours worked do not include any sick, vacation or holiday hours.

Termination

Utilities, Inc. requests that employees give at least two (2) weeks notice in the event they intend to leave our employ. Any accrued but unused vacation will be paid at the time of employment termination as specified under "Vacations" in the "Benefits" section of this manual. You are not subject to any termination benefit at the time of your resignation. In some situations, such as if Utilities, Inc. terminates an employee due to a loss of business or the sale of a subsidiary, Utilities, Inc. may elect to pay a departing employee severance pay. Utilities, Inc. may require an employee to sign a release relieving Utilities, Inc. from any and all liability, including claims regarding age, before it will pay any severance.

Wage Assignments (Garnishments)

We hope you will manage your financial affairs so that we will not be obligated to execute any court-ordered wage assignment or garnishment against your wages. According to the Federal Wage Garnishment Act, three (3) or more garnishments may be cause for dismissal. Whenever court-ordered deductions are to be taken from your paycheck, you will be notified.

Performance And Compensation Reviews

Performance Reviews

Your manager is continuously evaluating your job performance. Day-to-day interaction between you and your manager should give you a sense of how your manager perceives your performance.

However, to avoid haphazard or incomplete evaluations, Utilities, Inc. conducts a formal performance review once a year for each employee. New employees may be reviewed more frequently. A review may also be conducted in the event of a promotion or change in duties and responsibilities.

During formal performance reviews, some of the criteria your manager will consider are the following:

- Attendance, initiative and effort
- Knowledge of your work
- Behavior and willingness
- The quality and quantity of your work
- The conditions under which you work

The primary reason for performance reviews is to identify your strengths and weaknesses in order to reinforce your good habits and develop ways to improve in your weaker areas. This review also serves to make you aware of how your job performance compares to the goals and description of your job. This is a good time to discuss and document your interests and future goals. Your manager is interested in helping you to progress and grow in order to achieve personal as well as work-related goals.

Compensation Reviews

Utilities, Inc. conducts compensation reviews annually following the performance review. Any wage or salary increases will appear in the pay period ending after the dates they are granted. Wage and salary increases may be retroactive in the case of late reviews.

Work Schedule

Absenteeism Or Lateness

From time to time, it may be necessary for you to be absent from work. Utilities, Inc. is aware that emergencies, illnesses, or pressing personal business that cannot be scheduled outside your work hours may arise.

If you are unable to report to work, or if you will arrive late, please contact your manager immediately. Give him or her as much time as possible to arrange for someone else to cover your position until you arrive. If you know in advance that you will need to be absent, you are required to request this time off directly from your manager. He or she will determine if the time off due to this absence can be made up or if the time will be unpaid. Unpaid time must be reported on your timesheet.

When you call to inform Utilities, Inc. of an unexpected absence or late arrival, ask for your manager directly. (For late arrivals, please indicate when you expect to arrive for work.) All employees are expected to call in themselves regarding any absence. If you are unable to call in yourself because of a dire illness, emergency, or some other extraordinary reason, be sure to have someone call on your behalf. If your manager is not available when you call, you may leave the information with another manager. Notifying the switchboard operator or a fellow employee is not sufficient.

Absence from work for three (3) consecutive days without notifying your manager or the personnel administrator will be considered a voluntary resignation.

You are expected to be at your work station and ready to work at the beginning of your assigned daily work hours, and you are expected to remain at your work station until the end of your assigned work hours except for approved breaks and lunch.

Breaks and Rest Periods

You are entitled to two ten-minute breaks each day, one in the morning and one in the afternoon, at a time approved by your manager. Adequate coverage within a department should be maintained at all times.

Excessive Absenteeism Or Lateness

In general, a consistent pattern of absence will be considered excessive, and the reasons for the absences may come under question. Tardiness or leaving work early is as detrimental to Utilities, Inc. as an absence, and will carry the same weight as an absence. Other factors, such as the degree of lateness, may be considered. Be aware that excessive absence, lateness or leaving early may lead to disciplinary action, including dismissal, at the discretion of the supervisor.

Lunch Period

If you work longer than four (4) hours, you will be given an unpaid lunch period. The time when lunch periods are scheduled varies among departments, depending on the needs of each department. Your manager will give you your lunch period schedule.

Record Of Absence Or Lateness

If you are absent because of illness for three (3) or more successive days, your manager may request that you submit written documentation from your doctor. If you are absent five (5) or more days because of illness, you may be required to provide written documentation from a doctor that you are able to resume normal work duties before you will be allowed to return to work. You will be responsible for any charges made by your doctor for this documentation.

Your manager will make a note of any absence or lateness, and the reason, in your personnel file. Your attendance record will be considered when evaluating requests for promotions, transfers, leaves of absence, and approved time off as well as scheduling layoffs, etc.

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Benefits Package Index Continued

The Benefits Package

In addition to receiving an equitable salary and having an opportunity for professional development and advancement, depending upon your eligibility, Utilities, Inc. provides a comprehensive benefit package as a supplement to your total compensation.

A good benefits program is a solid investment in Utilities, Inc. and its employees. It not only assures the loyalty of long-time capable employees, it also helps to attract talented newcomers who can help Utilities, Inc. grow. Utilities, Inc. will periodically review the benefits program and will make modifications as appropriate.

Eligibility For Benefits

If you are a full-time employee not covered by a Collective Bargaining Agreement (CBA), you will enjoy all of the benefits described in this manual as soon as you meet the eligibility requirements for each particular benefit.

If you are a part-time employee not covered by a CBA, you will enjoy only those benefits which are required by law to be afforded to you, provided that you meet the minimum requirements set forth by law and in the benefit plan(s). Utilities, Inc. will adhere to the prevailing law.

Employees covered by a CBA will enjoy the benefits provided for in the CBA.

No benefits are available to you during your benefit waiting period, except as otherwise provided by law.

Temporary employees are not eligible for benefits.

Policies and benefits for certain officers may differ from those in this manual.

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Paid Leaves Of Absence

Holidays

Utilities, Inc.'s paid holidays are the following:

New Year's Day
Memorial Day
July 4th
Labor Day
Thanksgiving Day
Friday after Thanksgiving
Christmas Day
Floating Holiday - Company Designated

Utilities, Inc. will also provide two floating holidays (employee selected). These holidays can be used at any supervisor-approved time. All full-time employees receive the company selected holiday benefit. An employee hired after April 1 will not receive the employee selected holidays during the first calendar year of employment. Employees who terminate during the second or third quarter are eligible to receive one (1) floating holiday benefit, while those who terminate during the fourth quarter will receive the full benefit. Any unused floating holiday time will be paid upon employment termination. In the event that more time is used than earned, the difference will be deducted from the last check. Employees who terminate during the first quarter or before completing one year of service are not eligible for any employee selected holiday benefits upon termination.

You may take time off to observe your religious holidays. If available, a vacation day may be used for this purpose, otherwise the time off is without pay. You must notify your manager in advance.

Only full-time employees are eligible for holiday pay. You are not eligible to receive holiday pay during the benefit waiting period, nor are you eligible to receive holiday pay if you are a part-time employee or a temporary employee.

Holiday Policies

If a holiday occurs during your scheduled vacation, you are permitted to take an extra day of vacation. In order to qualify for holiday pay, you must work the scheduled workday immediately before and after the holiday. Only scheduled vacation will be considered exceptions to this policy. You are not eligible to receive holiday pay when you are on a leave of absence or on sick leave.

If local custom dictates a holiday, such as Mardi Gras in the New Orleans area or St. Patrick's Day in Savannah, Georgia, employees must use their floating holiday or a vacation day in order to follow local custom and close the office and field operations. Any other closing of an office for a local holiday must be approved by Northbrook prior to the closing.

Vacations

Vacation is a time for you to rest, relax, and pursue special interests. Utilities, Inc. has provided paid vacation as one of the many ways in which we show our appreciation for your loyalty and continued service. Only full-time employees and eligible part-time employees are eligible for paid vacation. You are not eligible for paid vacation during the benefit waiting period, nor are you eligible for paid vacation if you are a part-time employee working less than 1,000 hours during the current calendar year.

Amount Of Vacation

Full-time, non-officer employees are eligible to accrue vacation for each calendar month of service after completing the ninety-day (90) benefit waiting period. The monthly accrual rate is 5/6th of a day. In addition, the vacation accrual rate is based on your length of employment as follows:

Years Of Employment	Total Accrual Per Year
• Less than 1 year	• 5/6th day per month after benefit waiting period
• More than 1 year but less than 5 years	• 10 days
• More than 5 years but less than 15 years	• 10 days plus 1 day per each additional year of service over 5 years
• 15 years or more	• 20 days

After the first year of employment, full-time, non-officer employees earn vacation at a rate of 1/12th the total accrual per month worked. At the time of employment termination, the amount of vacation pay accrued will be calculated by taking the number of full months worked during the current year times the amount of vacation time earned in one month. Any unused time will be paid upon termination. In the event that more vacation time was used than earned, the difference will be deducted from the last check. If your benefit waiting period completion date is within the first through the fifteenth of the month, you will accrue vacation for the full month. If your benefit waiting period completion date is within

the sixteenth through the end of the month, you will start to accrue vacation on the first day of the following month.

Part-time employees are not entitled to vacation time or pay unless they qualify for this benefit by working 1,000 hours or more in the current calendar year. If this is the case, vacation time is determined by the number of regular hours worked in the current year divided by twenty-six (26) to get an average two-week period. The salary compensation will be figured at the regular rate of pay times the average hours, not to exceed eight (8) hours per day. No vacation is earned until after the benefit waiting period. The maximum paid vacation for part-time employees is ten (10) days.

Vacation Policies

Every effort will be made to grant you your vacation at the time you desire. However, vacations cannot interfere with your department's operation and, therefore, must be approved by your manager in advance. If any conflicts arise in requests for vacation time, preference will be given to the employee with the most seniority, which is based on your hire date with Utilities, Inc.

Only one (1) week of vacation may be used in single-day increments. Specific dates of vacation in single-day increments must be established by prior arrangement with your manager. The request will be granted as long as your absence will not seriously affect Utilities, Inc.'s operations. Usually, only one employee may take a vacation day in a department at any one time.

If a company-paid holiday falls during your scheduled vacation period, you will receive an additional day of vacation.

Accumulation Rights

Vacation time may not be carried over and accumulated in subsequent calendar years. Exceptions to this policy may be made in unusual circumstances (each case to be considered separately by your supervisor). Employees are not entitled to pay in lieu of unused vacation time.

Election Day

We encourage you to exercise your voting privileges in local, state, and national elections. However, since the polls are open for long periods, you are encouraged to vote before or after regular working hours. If it should be necessary, you may take up to two (2) hours leave from work to vote in a governmental election or referendum. You will be expected to notify your manager in advance.

Funeral (Bereavement) Leave

You are entitled to take the necessary time with pay to attend the funeral and to take care of personal matters related to the death of a member of your immediate family (parent, spouse, spouse's parent, child, spouse's child by a former marriage, brother or sister). The amount of paid time will be at the discretion of your supervisor and should not exceed five days. One (1) day of paid funeral leave will be granted in the case of the death of your grandparent, your spouse's grandparent or sibling, or any member of your extended family living in your home. One (1) day of paid funeral leave may be granted in the case of other relatives or close friends at the discretion of your supervisor. With your manager's approval, you may take time without pay to attend funerals of other relatives and friends. If you prefer, a day of earned vacation may be used for this purpose.

If the funeral occurs at a time when work is not scheduled, payment will not be made. If a holiday or part of your vacation occurs on any of the days of absence, you may not receive holiday or vacation pay in addition to paid funeral leave. Only full-time employees are eligible for paid funeral leave.

Jury Duty

It is your civic duty as a citizen to report for jury duty whenever called. If you are called for jury duty, we will permit you to take the necessary time off, and we wish to help you avoid any financial loss because of such service. If you have completed your benefit waiting period, you will receive your regular pay for the time served not to exceed a maximum of ten (10) business days. You must notify your manager within forty-eight (48) hours of receipt of the jury summons. On any day or half-day you are not required to serve, you will be expected to return to work.

Sick Leave

Employees are encouraged not to be on the job when their health condition may be a danger to themselves or others in the office or field areas. Each employee is expected to make health a primary concern and to accept responsibility for the well-being of fellow employees. To qualify for pay during sick leave you must be a full-

time employee and have completed your benefit waiting period. Time taken off before completion of the benefit waiting period will be without pay. If you must be absent from work because of a personal illness, you will be eligible to receive your regular straight time pay for reasonable time off the job. Reasonable time off will be determined by the supervisor. At the discretion of the supervisor, the employee will or will not be paid for time away from the job.

Please advise your manager as soon as possible that you will be absent from work due to illness. Utilites, Inc. may request "proof-of-illness" and may also use a company-appointed physician to examine the employee. This sick leave policy does not apply if sick leave is needed as a result of a self-inflicted injury, illegal substance or alcohol abuse, or illness or injury incurred while in the act of committing a felony. In the event of an illness or injury covered by workers' compensation, this sick leave policy will not apply but will defer to state statutes.

Unpaid Leaves Of Absence

Occasionally, for medical, personal, or other reasons you may need to be temporarily released from the duties of your job with Utilites, Inc., but you may not wish to submit your resignation. Under certain circumstances, you may be eligible for an unpaid leave of absence. An unpaid leave of absence may be granted up to a maximum of six (6) months.

You must apply in writing for an unpaid leave of absence, setting forth the reason for the leave, the date on which you wish the leave to begin, and the date on which you will return to active employment with Utilites, Inc. Submit your application to your manager, who will bring your request before the appropriate members of management for approval. A leave will be granted only when operating conditions at Utilites, Inc. permit. The needs of Utilites, Inc. will determine the number of employees allowed an unpaid leave at any one time.

Disability Leave Of Absence

Utilites, Inc. may grant an unpaid leave of absence for illness, disability, or pregnancy/maternity. To request a disability leave of absence from your manager, you should submit, or have someone submit for you, a statement of ill health or disability from your doctor. (A similar statement is required upon return from disability leave.) An approved disability leave may be granted for up to ninety (90) days. If necessary, you may request extensions in thirty-day increments up to a maximum of one (1) year. Whenever possible, you are required to give as much notice as possible of your pending need for a disability leave of absence.

In the case of pregnancy, please inform your manager as soon as possible of the date you and your doctor anticipate that you will begin your leave. Your job status will be protected to the extent that we will make every effort to allow you to return to your former work, if available, or to a similar position for which you may be qualified.

At the time the disability leave begins, vacation time previously earned (but not used) will be paid if the employee so desires. The vacation benefit does not continue to accrue during a leave of more than thirty (30) calendar days. This policy applies to all employees. Your group insurance booklet should be reviewed to determine your insurance coverage during a leave of absence.

Employees who must remain away from work for more than the period of time allowed above will be considered terminated from employment. They are welcome to re-apply subject to Utilites, Inc.'s hiring policies.

Employees who develop an illness or physical condition which requires medical treatment or restrictions and precautions as to their health will be required to submit a physician's statement. This statement must give approval that continued full-time employment in their present position will not jeopardize their health or the safety of others in the event they continue to work. A similar statement is required upon return from disability leave.

Should your attendance or job performance suffer during the period preceding or following a disability leave, we will accommodate you to the extent provided by law. We are under no obligation to reduce or alter your workload or to assign fewer than the usual hours of work.

Family Leave

If you are a full-time employee who has completed at least one full year of employment, you are eligible for up to twelve (12) weeks of unpaid leave after childbirth or adoption, or to care for a seriously ill child, spouse, or parent, or for your own serious illness. A qualifying condition is defined as the need for continuing care and the inability to perform one's job or the need to care for a family member who is ill. Employees will be required to provide thirty-days' notice for foreseeable leaves for births, adoption or planned medical treatment.

Your health insurance coverage will continue during this leave provided you continue making your premium payments while on leave. Arrangements for making your premium payments must be made with the Employee Services Department. Your position or a comparable position will be made available to you upon your return.

A doctor's certification must be obtained to verify a serious illness. Utilites, Inc. reserves the right to seek a second medical opinion regarding the serious nature of the illness. Medical certification for such a leave must include the expected dates for medical treatment and the planned duration of the treatment.

Military Leave Of Absence

If you are a full-time employee and are inducted into the U.S. Armed Forces, you will be eligible for re-employment after completing military service provided:

1. You show your orders to your manager as soon as you receive them.
2. You satisfactorily complete your active service duty.
3. You enter the military service directly from your employment with Utilites, Inc.
4. You apply for and are available for re-employment within the timeframe outlined under USERRA, which is dependent upon the length of time you are on active duty.

Military Reserves Or National Guard Leave Of Absence

Employees who serve in U.S. military organizations or state militia groups may take the necessary time off without pay to fulfill this obligation and will retain all of their legal rights for continued employment under existing laws. These employees may apply unused earned vacation time to the leave if they wish; however, they are not obliged to do so. You are expected to notify your manager as soon as you are aware of the dates you will be on duty so that arrangements can be made for your replacement during this absence. During the period in which the employee will receive military pay, Utilites, Inc. may choose to make up any difference between the employee's military pay and regular salary.

If the employee chooses to keep his or her health care benefits under our group plan, he or she may do so for a period up to 24 months, beginning after the first 30 days of leave. However, after the first 30 days of leave, the employee's benefits will fall under COBRA rather than the group plan, and the premium will be determined by the COBRA rates currently in effect. If the employee chooses not to participate while on military leave, he or she must submit a letter to the Employee Services Department stating he wishes to waive his health care continuation rights. The employee may resume participation in our group plan upon his re-employment.

Personal Leave Of Absence

In very special circumstances, Utilites, Inc. may grant a leave for a personal reason but never for taking employment elsewhere or going into business for yourself. You should request an unpaid personal leave of absence from your manager. A personal leave of absence must not interfere with the operations of your department or Utilites, Inc. Your manager will submit your request to the appropriate member of management for final approval.

A personal leave of absence may be granted for up to thirty (30) days. If your leave is extended for more than thirty (30) days, vacation and other benefits will no longer continue to accrue. Consult your group insurance booklet to determine your insurance coverage during a leave of absence. Failure to return from a leave at the time agreed upon will result in termination of employment.

Returning From A Leave Of Absence

You must notify Utilites, Inc. at least fifteen (15) days prior to your expected return date that you intend to return from a leave of absence. When you return, you will be placed on your regular job if such position remains and is available. If Utilites, Inc. needs to eliminate or fill your position while you are on leave, you will be assigned to an open position for which you are properly qualified. If no such position exists, you will be placed on layoff status.

If you don't return from your leave of absence on the day indicated in your original application or in any approved extension, or within three (3) days of release by your doctor if you have been on a disability leave of absence, you will be considered to have voluntarily resigned from employment with Utilites, Inc. as of the day on which you began your leave of absence.

If you have been on a disability leave of absence, you will be required to submit a statement from your doctor indicating that you are fit to return to your normal duties. The company encourages employees to return from leave as soon as possible, with or without restrictions, as long as accommodations can be made for any restrictions noted on the physician's statement.

Accepting Other Employment Or Going Into Business While On Leave Of Absence

If you accept any employment or go into business while on a leave of absence from Utilites, Inc., you will be considered to have voluntarily resigned from employment with Utilites, Inc. as of the day on which you began your leave of absence.

Insurance Premium Payment During Leaves Of Absence

Utilites, Inc. will continue to pay its share of insurance premiums for employee coverage and dependent coverage for a maximum of six (6) months while you are on a disability leave of absence. While you are on any other type of unpaid leave of absence from Utilites, Inc., you will be responsible for paying the total premiums for your coverage and that of your dependents. Failure to do so may result in loss of coverage and possible refusal by the insurance carrier to

Insurance Coverage

Group Insurance

Utilites, Inc. is interested in the health and well-being of both you and your family. A comprehensive health and life insurance program is available for you and your family. After completion of thirty (30) days employment, permanent employees working a minimum of 30 hours per week (except any person employed on a temporary or seasonal basis) become eligible for coverage by the insurance company. You may choose to accept or decline the insurance coverage.

The following benefits are provided as defined and limited in the literature provided by our insurance company and the administrators of our policies.

- Group Term Life Insurance
- Accidental Death & Dismemberment Insurance
- Group Long-Term Disability Insurance
- Medical Health Care Coverage
- Dental Care Coverage
- Vision Care Coverage
- Dependents' Medical, Dental, and Vision Care Coverage

If you choose group health, dental, and vision insurance coverage, you will receive a booklet describing your benefits when you join the program.

Utilites, Inc. pays a significant portion of the cost of the premium for health and dental insurance coverage for employees and their eligible dependents. The balance of the premium is deducted from your paycheck by payroll deduction. The vision program is paid for entirely by the Company and is provided to all employees and their dependents who are enrolled for medical coverage.

In the event of your termination of employment with Utilites, Inc. or loss of eligibility to remain covered under our group health insurance program, you and your eligible dependents may have the right to continued coverage under our health insurance program for a limited period of time at your own expense. (This does not affect

a limited period of time at your own expense. (This does not affect the conversion privilege as stated in the insurance policy.) Consult the Employee Services Department for details.

Long-Term Disability Insurance

If you are a permanent employee working a minimum of 30 hours per week (except any person employed on a temporary or seasonal basis), you may be protected from financial hardship through a disability insurance policy if you are totally disabled because of an illness or accident that is not job related. Total disability means that you cannot perform any position that Utilities, Inc. has available that you are qualified for and normally able to perform. (Workers' compensation benefits protect you if you are involved in a job-related sickness or accident.)

The current plan for disability pays 50% of Covered Monthly Earnings after the employee has been disabled for a period of six (6) months. Social Security and other disability income offsets (co-insures) the long-term disability benefits. The maximum benefit period is variable depending upon your age at the time of disability, and proof of disability or illness will be governed by the rules of the insurance company providing coverage. You will be eligible for this benefit the first day of the calendar month after you have completed thirty (30) days of service. Our insurance company administrator provides a booklet describing your benefits.

If you need further clarification or information, or if you need to file a claim for these benefits, contact the Employee Services Department.

Short-Term Disability Benefit

A benefit will be paid by the Company for a medical disability in the period prior to the effective date of long-term coverage (during the first six (6) months of disability) based on length of service. This benefit is payable only to full-time employees and is paid as follows:

One to 2 years service	1 week's salary
More than 2 years but less than 4 years service	3 week's salary
More than 4 years but less than 6 years service	6 week's salary
More than 6 years but less than 12 years service	2 week's salary per year of service
More than 12 years service	100% of salary during the first six months of short-term disability

Pregnancy/maternity leave is treated, for purposes of this policy, as short-term disability and is paid to a maximum of six (6) weeks unless a medical disability necessitates additional time. Unpaid pregnancy leave is granted according to the Family Medical Leave Act, not to exceed 12 weeks including paid leave.

Medical, Dental and Vision Insurance

Today's many health insurance plans and options can be confusing and complicated. For this reason, Utilities, Inc. has spent considerable time selecting plans which provide extensive benefits and comparable coverage for all employees. Please note that, in certain areas, physician participation is limited. Therefore, coverage may vary somewhat from one area to another. However, the Company strives to provide comparable benefits to all employees despite these limitations.

Medical, dental and vision benefits are available to all permanent employees working a minimum of 30 hours per week (except any person employed on a temporary or seasonal basis) effective 30 days after your start date. The Company and employees share the cost of coverage through payroll deduction with even increments being taken out of pre-taxed earnings if selected. You will receive a Medical and Dental Benefit Booklet explaining your coverage; a Vision Service Plan Benefit Outline; and medical and dental insurance cards once the benefits are effective.

The medical plan will pay 100% of covered expenses after satisfying the deductible and out-of-pocket expense limits per calendar year. The plan is subject to a \$3,000,000 lifetime maximum per covered individual.

The vision care coverage includes an eye exam and lenses once every 12 months and frames once every 24 months. There is one co-pay for an exam and another co-pay for materials. Most vision services from a network provider are covered in full. Services from an out-of-network provider are covered in part. See the particulars of the plan for specific coverage.

The dental coverage has a maximum annual benefit of \$1,000 for each covered individual. The plan covers 100% of Preventive and Emergency services, 80% of Primary services, and 50% of Major services, after the deductible. Two examinations and cleanings are provided per calendar year. There is no dental network, so you may choose whomever you wish for your dental needs.

This benefit summary provides a brief outline of coverage. The Employee Medical and Dental Benefit Booklet and the Vision Service Plan Benefit Outline describe your coverage in greater detail. Please refer to these items for information regarding the administration of the plans. The complete terms of coverage will be governed by the group insurance contracts issued by the insurance carriers.

Life and AD&D Insurance

If you are a permanent employee working a minimum of 30 hours per week (except any person employed on a temporary or seasonal basis), you are covered by both group life insurance and accidental death and dismemberment (AD&D) insurance. The life insurance benefit equates to one and one-half (1-1/2) times your annual salary rate plus \$10,000, as of your eligibility date. The accidental death and dismemberment benefit is an amount equal to your life benefit. These benefits will be updated to reflect any changes, including reductions beginning at age 65.

In addition, Utilities, Inc. carries an additional \$50,000 of AD&D insurance for all eligible office personnel and an additional \$100,000 of AD&D insurance for all eligible field personnel.

Life and AD&D coverage becomes effective the first of the month following the 30-day benefit waiting period.

Payment of benefits will be made based on an order of preference, first to your spouse, second to your family, or lastly to your estate, unless you designate a beneficiary. You may change your beneficiary whenever you wish by submitting the appropriate documents to the Employee Services Department. Refer to the literature provided by our insurance company for details on your life and AD&D insurance coverage.

Termination of Insurance

Your insurance will terminate when the insurance policy terminates, when you fail to make an agreed contribution to the premium when due, when you cease to be eligible for coverage under the terms of our group insurance program, or when you cease to be employed as an employee who is eligible for the insurance.

Government Required Coverage

Workers' Compensation

The Workers' Compensation Law is a no-fault insurance plan which is supervised by each state and one hundred percent (100%) paid for by Utilities, Inc. This law was designed to provide you with benefits for any injury which you may suffer in connection with your employment. Under the provisions of the law, if you are injured while at work, you are eligible to apply for workers' compensation.

•What Is Workers' Compensation?

Each state's no-fault workers' compensation law was passed by individual state legislatures to guarantee prompt, automatic benefits to workers injured on the job.

Before workers' compensation, an injured worker had to sue his employer to recover medical costs and lost wages. Lawsuits took months and sometimes years. Juries and judges had to decide who was at fault and how much, if anything, would be paid. In most cases, the injured worker got nothing. It was a costly, time-consuming and unfair system.

Today, if you are unable to work because of a job injury, Utilities, Inc. and our workers' compensation insurance carrier work together to take care of your medical expenses and pay compensation to you until you are able to come back to work. This is done automatically, without delay or red tape.

•Who Is Covered?

Every Utilities, Inc. employee is protected by workers' compensation.

•What Is Covered?

Any injury is covered if it is caused by your job—not just serious accidents, but even first-aid type injuries. Illnesses may also be covered if they are related to your job. For example, common colds and flu are not covered, but if you caught tuberculosis while working at a TB hospital, that would be covered. The main question is whether the injury or illness is the result of the performance of your job.

•When Am I Covered?

Coverage begins the first minute you are on the job and continues the entire time you are working for Utilites, Inc. You do not have to work a certain length of time, and there is no need to earn a minimum amount of wages before you are protected.

•What Are The Benefits?

State law guarantees you three kinds of workers' compensation benefits.

• **Medical care to take care of the injury, including not only doctor bills, but also medications, hospital costs, fees for lab tests, x-rays, crutches and so forth** — There is no deductible, and all costs are paid directly by our workers' compensation insurance carrier. If you do receive a bill, be sure to submit it to the Employee Services Department for payment through our insurance carrier.

• **Rehabilitation services necessary to return to work** — Sometimes this is just an extension of medical treatment (for example, physical therapy to strengthen muscles). However, if the injury keeps you from returning to your usual job, you may qualify for vocational rehabilitation and retraining, too. Again, all costs are paid directly by Utilites, Inc. through our workers' compensation insurance carrier.

• **Cash Payments for lost wages** — The most common kind of payments, for "temporary disability", will be made for as long as the doctor says you are unable to work. Additional cash payments may be made after you are able to work if there is a permanent handicap—for example, the amputation of a finger or loss of sight. If the injury results in death, payments will be paid to surviving dependents.

•How Do I Get The Benefits?

All injuries, no matter how slight, must be reported immediately to your manager to ensure consideration under workers' compensation insurance should complications develop later. Your manager will see that you receive medical attention.

Tell your manager what, where, when, and how it happened—enough information so that he or she can arrange medical treatment and complete the necessary reports. In an emergency, you may go

directly to one of the medical facilities nearby. You must furnish your manager with written statements regarding the on-the-job accident so that we may accurately document the incident and so you may receive all the benefits to which you are entitled. (Failure to do this could result in a loss of benefits.)

Prompt reporting is the key. Benefits are automatic, but nothing can happen until your employer knows about the injury. Ensure your right to benefits by reporting every injury, no matter how slight. Even a cut finger can be disabling if an infection develops.

•How Much Are The Cash Payments?

Payments consist of a percentage of your average weekly wage, up to a maximum amount set by the state legislature. The amount of the payments, and when and how they will be paid, are regulated by state law. Only the state legislature can change the law.

Workers' compensation payments are tax free. There are no deductions for state or federal taxes or Social Security.

•Other Benefits

If the injury is very serious—one where you will not be able to work for a year or more—you may be eligible for additional benefits from Social Security. For information, contact the nearest office of the Social Security Administration, or discuss your situation with the claims representative of Utilites, Inc.'s workers' compensation insurance carrier. An employee returning to work after being absent due to an injury must report to his or her manager prior to beginning work and must bring a doctor's clearance for returning to duty. The company encourages employees to return from leave as soon as possible, with or without restrictions, as long as accommodations can be made for any restrictions noted on the physician's statement.

•Supplemental Benefits

State required Workers' Compensation is supplemented by an additional plan provided by Utilites, Inc. Coverage under the two plans can bring your total benefit to 100% of normal take-home pay. Three months of this supplemental benefit are earned for each year (including partial years) employed, to a maximum benefit period of two years.

Unemployment Compensation

Utilities, Inc. pays a percentage of its payroll to the Unemployment Compensation Fund according to Utilities, Inc.'s employment history. If you become unemployed, you may be eligible for unemployment compensation, under certain conditions, for a limited period of time. Unemployment compensation provides temporary income for workers who have lost their jobs. To be eligible you must have earned a certain amount and be willing and able to work. You should apply for benefits through your local State Unemployment Office as soon as possible. Utilities, Inc. pays the entire cost of this insurance.

Social Security

The United States government operates a system of contributory insurance known as Social Security. As a wage earner, you are required by law to contribute a set amount of your weekly wages to the trust fund from which benefits are paid. As your employer, Utilities, Inc. is required to deduct this amount from each paycheck you receive. In addition, Utilities, Inc. matches your contribution dollar for dollar, thereby paying one-half of the cost of your Social Security benefits.

Retirement

Pension Plan

Utilities, Inc. provides an Employee Pension Plan to offer eligible employees a benefit upon retirement.

All full-time employees and part-time employees who work at least one thousand (1,000) hours per year, and who are at least 20-1/2 years of age, are eligible to participate in this Plan. Eligibility begins if an employee is hired prior to July 1 and is still employed as of January 1 of the next year. If an employee is hired after July 1, a contribution will not be made to the employee's account after January 1 of the next year but will be made after January 1 of the following year.

The company makes a contribution to the employee's account based on a percentage of the eligible employee's annual compensation. There is no vesting in this Plan prior to the completion of five years of service. At the end of this period, the employee will be fully vested.

Upon death, payment will be made to the beneficiary as designated by you. You may change your beneficiary whenever you wish by submitting the appropriate documents to the Employee Services Department. Further details are provided in Your Personal Guide to Benefits, which is issued during the first quarter of each year.

401(k) Plan

The Company provides a 401(k) Plan to eligible employees who are at least 21 years of age and have completed one year of service. The Plan is administered by Amvescap Retirement, Inc., and it allows you the choice of 15 mutual and bond funds into which you may direct your contribution. You are eligible to enroll at any time after your first anniversary, and you may change your fund choice or your percentage at any time.

You may contribute 1% to 100% of your pre-tax salary to this Plan through payroll deduction. The limit is \$14,000 for 2005 and \$15,000 for 2006.

If you are age 50 or older, you may elect to defer additional amounts (catch-up contributions) to the Plan. The maximum catch-up contribution that you may make is \$4,000 in 2005 and \$5,000 in 2006.

The Plan also provides for a discretionary annual profit sharing contribution which is determined by the Board of Directors.

You are always fully vested in your own contributions. However, you do not become fully vested in the Company contribution until you have completed five years of service.

Statement Of Employee Retirement Income Security Act (ERISA) Rights

As a participant in the Utilities, Inc. Employees' Retirement Plan, you are entitled to examine the Plan documents and the annual report and Plan description filed with the U.S. Department of Labor. This inspection may be made during normal business hours; ask your manager to make arrangements for you with the Employee Services Department.

Other Benefits

Adoption Benefit

Adoption benefits are available to full-time employees after one year of service. The adopted child must be 18 years of age or younger unless the child is physically or mentally incapable of caring for himself or herself. Eligible adoption related expenses will be reimbursed as they are incurred during the adoption process up to a maximum of \$5,000 per child. Employees are eligible for unpaid Family Medical Leave, including paid leave in lieu of pregnancy leave.

Education Assistance

We feel that individuals who possess a desire to continue their education, in addition to performing their full-time job, show a commitment to improving themselves and their position within the company. To encourage and reward these individuals, Utilities, Inc. offers an education assistance benefit.

Full-time employees may continue their education in a related field, and Utilities, Inc. may reimburse some of the tuition costs. All courses and costs must be pre-approved by your manager. Once the course is completed, submit a certified transcript of your grades and the receipts for your expenses. Utilities, Inc. will reimburse you for the portion of the tuition that was pre-approved on the following basis:

<u>Grade</u>	<u>Reimbursement</u>
A	90% of the amount that was pre-approved
B	75% of the amount that was pre-approved
C	50% of the amount that was pre-approved

Regarding classes in which a pass or fail grade is issued, a passing grade will be reimbursed at 90% of the amount that was pre-approved.

In order to qualify for this education assistance benefit, you must:

- Advise your manager, prior to enrolling for the class, that you intend to take a particular course. Your manager will advise you whether the course is of a nature that Utilities, Inc. will approve for reimbursement of tuition.
- The course must be job-oriented and offered by an approved educational institution.

- You must receive a passing grade of "C" or better.
- You must have at least one (1) full year of service with Utilites, Inc.
- If you are eligible to receive educational benefits from other sources, such as the Veterans Administration, Utilites, Inc. will only consider some reimbursement of the part that remains unpaid after application of those benefits for your educational expenses.
- Any reimbursement expense in excess of \$500 requires the approval of a Corporate Officer in addition to your supervisor.

Depending on the type of educational program and the value of the classes, Utilites, Inc. may require you to sign an agreement stating that if you leave the Company within 12 months of completing a class, you will repay the amount you were reimbursed.

**Education And Training
(Attending Seminars and Training Sessions)**

From time to time, Utilites, Inc. may arrange to send you to formal and informal training programs to enable you to progress in the technical knowledge of our business. You will receive a normal paycheck while attending these schools or workshops. All or a portion of the expenses for off-premises training will be paid for by Utilites, Inc. depending on the nature of the course. Check with your manager for details. Certifications of operating licenses are subject to payment at the time of the issuance of the new certificate based on the level attained.

Employee Assistance Program

Utilites, Inc. provides an Employee Assistance Program (EAP) which is designed to provide a service for our employees whose personal problems are affecting their ability to function at top efficiency in their work. This program is available to all full-time employees and their immediate families. Arrangements can be made by the employee to visit a professional of his or her own choice who is specially trained in a specific problem area, including alcoholism, domestic violence, drug dependency, eating disorders, emotional illness, family problems, financial problems, legal problems, and marital conflict.

Utilites, Inc. will reimburse the costs for assessment up to \$150. Other costs, like treatment, may be covered in part or in full by the group insurance plan. There may be times when you will be solely responsible for expenses.

Finder's Fee

Utilites, Inc. values its loyal employees and understands the need to attract talented newcomers who can help us grow. Occasionally, we fill an open position with the assistance of a current employee. Provided the new full-time employee completes ninety (90) or more days of employment with Utilites, Inc. for the regulated businesses and one (1) year for the unregulated businesses, the referring employee will receive a finder's fee of \$1,000 for a position filled below the director level. The finder's fee is to be paid on or after the new employee's ninety-first day of employment.

Wellness

You are encouraged to adopt habits and life-styles that promote personal long-term health and well-being. To assist in reaching these goals, Utilites, Inc. will support educational programs to increase awareness of health issues and will encourage exercise as a part of a personal wellness program.

As an incentive, Utilites, Inc. will offer a reimbursement of up to \$200 toward an employee's expenses for approved exercise classes, approved exercise equipment, or health club membership. This benefit is available after one year of employment. Expenses for other family members are not eligible. General sports and athletic equipment do not qualify for reimbursement.

Expense reimbursements may not exceed the limit during one calendar year. Approval is at the discretion of your manager and a Vice President or a Director.

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Other Policies

Communications

Successful working conditions and relationships depend upon successful communication. Not only do you need to remain aware of changes in procedures, policies and general information, you also need to communicate your ideas, suggestions, personal goals or problems as they affect your work.

You may receive letters, informational booklets, and newsletters from Utilities, Inc., although there is no regular schedule for distribution of this information. The function is to provide you and your family with interesting news and helpful information which will keep you up-to-date on the events and policies here at Utilities, Inc.

All customer communications or mailings, with the exception of correspondence on an individual basis, should be initiated and approved by appropriate personnel in the Northbrook office to ensure that policy and philosophy are correctly stated and to take advantage of mailing efficiencies.

All outgoing messages should be accurate, appropriate, and work-related, whether issued by mail, facsimile, e-mail, Internet transmission, or any other means.

Employees should also ensure that no personal correspondence appears to be an official communication of the company, since employees may be perceived as representatives of the company and possibly create liability for the company.

Company letterhead, business cards, signs, etc., must be standard and incorporate only the approved corporate identity, logos, or branding. As such, stationery and business cards are not to be personalized with logos indicating any type of religious, ethnic or other affiliation. Employees may not use company stationery for personal purposes.

In addition, employees are not to place bumper stickers or signs on company vehicles.

Company Publications

In an effort to provide company information to employees, shareholders, developers, vendors, bankers, and other individuals, Utilities, Inc. publishes newsletters, reports and other materials that feature Utilities, Inc.'s employees. From time to time, Utilities, Inc. may incorporate employee names and pictures taken during working hours or at company-sponsored social events in these materials. Accordingly, Utilities, Inc. and its subsidiaries reserve the right to use and reproduce names and pictures of employees for these materials.

Dress Code And Personal Appearance

Please understand that you are expected to dress and groom yourself in accordance with accepted social and business standards, particularly if your job involves meeting with customers or visitors. A well-groomed, professional appearance contributes to the positive impression you make on our customers. You are expected to be suitably attired and groomed during working hours or when representing Utilities, Inc.

Office employees are required to wear business casual attire, if not professional attire. All clothing must be worn at an appropriate length for a professional image. Proper footwear must be worn at all times. Business casual attire excludes denim, T-shirts, and tennis shoes.

Operating managers and operating personnel are required to wear their uniforms at work. Cowboy boots and tennis shoes are not acceptable and may not be worn. All uniforms should be kept clean and in good repair and changed daily in keeping with good personal hygiene. Aprons should be worn by all employees when working with chemicals. Coveralls should be worn by all employees engaging in activities that may permanently damage uniforms.

Personal appearance should be a matter of concern for each employee. If your manager feels your attire is out of place, you may be asked to leave your workplace until you are properly attired. You will not be paid for the time you are off the job for this purpose.

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Grievances And Suggestions

An efficient, successful operation and satisfied employees go hand-in-hand. Employees' grievances or suggestions are of concern to Utilities, Inc., regardless of whether the problems or ideas are large or small.

In order to provide for prompt and efficient evaluation of and response to grievances or suggestions, Utilities, Inc. has established a formal Grievance/Suggestion Procedure for all employees. It will always be Utilities, Inc.'s policy to give full consideration to every employee's opinion. There will be no discrimination against or toward anyone for his or her part in presenting grievances or suggestions.

Under this policy, a grievance is defined as any event, condition, rule, or practice which the employee believes violates his or her civil rights, treats him or her unfairly, or causes him or her any degree of unpleasantness or unhappiness on the job. This covers a wide range of circumstances, everything from the workplace, the environment, and other working conditions to policies or practices which interfere with or hinder an employee's performance. A grievance may also deal with an attitude, a statement, or an opinion held by a manager or a fellow employee.

Talking things over usually helps. When you have a grievance or other problem, the person you report to is the person to see first. If this does not settle the matter, you are entitled to go to his or her immediate supervisor to see what can be done.

The Grievance/Suggestion Procedure is as follows:

1. See Your Manager First

If there is anything bothering you, or if you have a suggestion, your manager would like to hear about it. If you feel that any working condition, policy, practice, or action by Utilities, Inc. or by any member of management is unjust, you should tell your manager about it and discuss the matter confidentially and in private with him or her. Establish with your manager an appropriate time and place to discuss your concern. If for some reason your manager fails to offer you the opportunity to discuss the matter, or if the discussion does not lead to a satisfactory conclusion, then proceed to the next step.

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2. Put It In Writing

It makes a difference when you put your grievance or suggestion in writing—understanding the situation and what you think the ideal condition should be, as well as some ideas for achieving your desired condition, will help your manager go to work for you. Explain the present situation, the desired condition, and your proposed solution or suggestion. Submit this to your manager.

If after discussion with your manager the situation remains unsettled, the matter should be referred to senior management. You may need to elaborate your complaint or proposed solution by expanding on your written grievance or suggestion. Further describe the situation or problem, name any witnesses if applicable, and be sure to mention times, dates, and places. Also, include a summary of your communications with your manager on the subject. Put this information into an envelope, seal it, and either mail or deliver it to the immediate manager of your manager. Of course, your grievance or suggestion may not require all this information but could be a brief statement regarding a working condition or a cost-saving idea. Whatever it is, we want to know about it. An appropriate member of senior management will schedule a discussion with you.

3. Grievance Or Suggestion Conference

Your manager's immediate manager will review the grievance or suggestion and may call you for a scheduled conference. This may, at his or her discretion, be with or without the presence of your immediate manager. At this conference, you should feel free to openly discuss your complaint and substantiate your reasons for feeling the way you do; the senior management member will consider your input and render a decision.

4. Hotline

In addition to the above procedure, the company has established a Hotline. If you wish to express an opinion, but prefer to remain anonymous, you may call our Hotline number, which is 847-498-6440, Ext. 3300. If you request a response, please leave your name and a daytime number where you can be reached.

The sole purpose of this Grievance/Suggestion Procedure is to give each employee and Utilities, Inc. a chance to clear up any problem, complaint, friction, or grievance and to evaluate employee suggestions. In order for this policy to work, each employee and each member of management must want it to work and be willing to do whatever it takes to make it work.

Housekeeping

Neatness and good housekeeping are signs of efficiency. You are expected to keep your work area neat and orderly at all times. Not only does this promote an image of professionalism, it also is a required safety precaution. Please put all litter and recyclable materials in the appropriate receptacles and containers. Always be aware of good health and safety standards, including fire and loss prevention. Please report anything that needs repairing or replacing to your manager immediately.

Outside Activities/Conflict of Interest

No employee may take an outside job, either for pay or as a donation of his or her personal time, with a customer or competitor of Utilities, Inc., nor may they do work on their own if it competes in any way with the products or services we provide our customers. If your financial situation requires you to hold a second job, part-time or full-time, or if you intend to engage in a business enterprise of your own, we would like to know about it. Therefore, before accepting any outside employment, notify your supervisor in writing. An employee will not be permitted to receive benefits from the Company's workers compensation plan for a disability contracted as a result of outside employment.

Personal Phone Calls And Mail

Our telephones are to be used for business purposes. If you must make or accept personal phone calls, please keep the number and length of these calls to a minimum—they must not interfere with your work. You are permitted to make limited local area calls on company telephones for essential personal business during lunch or break periods only. Emergency calls regarding illness or injury to family members, changed family plans, or calls for similar reasons may be made at any time. Incoming urgent calls will be directed to you. In addition, please do not use Utilities, Inc. as a personal mailing address, and do not put personal mail in the stacks that are to be run through the postage meter. Although the amount may seem small, it does add up significantly.

Personal Use Of Company Property

If you want to use Utilities, Inc. equipment or tools during or after work hours for personal benefit, you must have the approval of your manager. Your manager will ask you to sign out the item on a proper form. You must understand and agree that Utilities, Inc. is not liable for personal injury incurred during the use of company property for personal projects. As a Utilities, Inc. employee, you accept full responsibility for the malfunction of equipment and for any and all liabilities pertaining to injuries or losses. You are responsible for returning the equipment or tools in good condition, and you agree that you are required to pay for any damages that occur while using the equipment or tools for personal projects.

Resignation

While we hope both you and Utilities, Inc. will mutually benefit from your continued employment, we realize that it may become necessary for you to leave your job with Utilities, Inc. If you anticipate having to resign your position with Utilities, Inc., you are expected to notify your manager at least two (2) weeks in advance of the date that you must leave.

Return Of Company Property

Any Utilities, Inc. property issued to you, such as tools or uniforms, must be returned to Utilities, Inc. at the time of your dismissal or resignation, or whenever it is requested by your manager or a member of management. You are responsible to pay for any lost or damaged items. The value of any property issued and not returned may be deducted from your paycheck.

Required Inoculations For Operating Personnel

Operating employees who work at wastewater treatment plants are required to receive a tetanus inoculation every seven years. The actual cost of the inoculation will be reimbursed to the employee. Proof of this inoculation must be furnished to the Safety Director in your area or to the Corporate Safety Director.

While the risk is minimal for an employee to contract typhoid or hepatitis as the result of operating a water or wastewater facility, the company will reimburse the cost of immunization against these diseases and encourages these inoculations.

The company encourages all employees who work in or near a wastewater treatment facility to use proper personal hygiene to guard against any unnecessary infections from germs. Precautions may include washing hands prior to eating or smoking and before

and after the use of the rest room. Additionally, all employees are required to wear protective equipment when in contact with wastewater or sludge in any form.

Security

Maintaining the security of Utilities, Inc. buildings and vehicles is every employee's responsibility. Develop habits that ensure security as a matter of course. For example:

- Always keep cash properly secured. If you are aware that cash is insecurely stored, immediately inform the person responsible.
- Know the location of all alarms and fire extinguishers, and familiarize yourself with the proper procedure for using them should the need arise.
- When you leave Utilities, Inc.'s premises, make sure that all entrances are properly locked and secured.

Smoking

The company provides a smoke-free working environment for all employees and encourages all employees to be nonsmokers. Therefore, smoking is not permitted at any time in any company office or operations building or plant. Smoking is not permitted in any company vehicle when accompanied by nonsmokers.

Utilities, Inc. will reimburse the expenses incurred for an approved smoking cessation program for an employee, the spouse of an employee, or the dependent of an employee if they are covered under our health insurance plan. The program and cost of the program must be approved by the Employee Services Department prior to reimbursement. The maximum benefit is \$500.

Substance Abuse

Utilities, Inc. is committed to providing its employees with a safe and substance free workplace. You are expected to be in suitable mental and physical condition while at work, allowing you to perform your job effectively and safely.

Whenever use or abuse of any substance (such as alcohol or other drugs) interferes with a safe workplace, appropriate action must be taken. Utilities, Inc. has no desire to intrude into its employees' personal lives. However, both on-the-job and off-the-job involvement with any drugs or alcohol can have an impact on our workplace and on Utilities, Inc.'s ability to achieve its objectives of safety and security. Therefore, you are expected to report to the workplace with no illegal drugs or alcohol in your body. The possession, sale or use of illegal drugs, or coming to work under the influence of such substances, shall be a violation of safe work practices and will be subject to disciplinary action, including dismissal.

Employees will be subject to annual random substance abuse testing, as well as reasonable suspicion testing, accident related testing, routine fitness-for-duty testing, and testing following an employee's completion of a substance abuse rehabilitation program. Refusal of an employee to submit to a drug or alcohol test constitutes grounds for termination. For additional details, please refer to the substance abuse policy previously distributed.

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Theft

Property theft of any type will not be tolerated by Utilities, Inc. We consider property theft to be the unauthorized use of company services or facilities or the taking of any company property for personal use. Unauthorized possession or removal of company property is a very serious offense. Employees violating this policy will be subject to discipline up to and including dismissal and prosecution.

Traffic Violations

If you are authorized to operate a company vehicle in the course of your assigned work, or if you operate your own vehicle in performing your job, you will be considered completely responsible for any accidents, fines or traffic violations incurred.

Uniforms

We provide uniforms which some employees must wear while at work. Upon termination of employment, the uniforms must be returned, or the cost will be deducted from your final paycheck.

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Use Of Company Vehicle

If you are authorized to use a Utilities, Inc. vehicle for company business, you must adhere to the following rules.

- You must be a licensed driver and follow the Company's driving requirements.
- You must wear your seatbelt while on the road.
- All vehicle expenses should be maintained on the fleet charge card.
- You are responsible for following all the manufacturer's recommended maintenance schedules to maintain warranties, including oil changes, tune-ups, etc.
- You are responsible for paying any violation tickets. A company employee who has a suspended or revoked license may not operate a Company vehicle and may be subject to termination.
- You must keep the vehicle clean at all times--washed and vacuumed as often as necessary. No bumper stickers are to be displayed on company vehicles.
- You must not allow persons not authorized or employed by Utilities, Inc. to operate or ride in a Company vehicle.
- Prior to operation of any Company vehicle, your manager will train you on the appropriate steps to take if you are involved in an accident--filling out the accident report, getting names of witnesses, etc.
- Employees convicted of *driving under the influence* while in a company vehicle will be subject to termination or referral to the Employee Assistance Program and subject to the provisions of that plan.
- Company vehicles are not to be used for personal business or vacations. Employees involved in an accident during unauthorized use of a Company vehicle may be held accountable for damage sustained to the vehicle and may be subject to termination.

Use of Electronic Communication Services

Purpose

Utilities Inc.'s Electronic Communication Services are primarily established to provide effective internal communication. However, the widespread use of enterprise-wide networking technologies in many corporations, and the availability of Public Electronic Communication Services has allowed electronic external communication to become standard business practice. This corporate policy describes procedures and responsibilities that will ensure efficient, effective and professional internal and external business communication. These services are for business use only. The use of Electronic Communication Services will be subject to appropriate monitoring.

Definitions

"Chain Mail" means a sequence of mail whereby each recipient is requested to send copies to others. Normally some kind of personal gain is promised to recipients who do so.

"Electronic Communication Service" means a company service or system application providing the functionality to electronically transmit voice, data or other information from one person or computing system to another. Included are electronic mail, voice and data networks, fax machines and access to external networks provided by the company. It also includes an Electronic Communication Service, or like service, provided for public use. Utilities, Inc. may provide access to such services in order to facilitate external communication. Examples are the Internet or commercial carriers such as AOL or Interaccess.

"E-mail" (Quick Mail) is an Electronic Communication Service offered only within the company. This service is not connected to the outside world.

"Secure Gateway", sometimes referred to as "firewall", means any mechanism that controls access to computing or network service by utilizing a user authentication and validation process. Examples of this are ARA (Apple Remote Access) and the LeMah Security call back system.

"Business Purposes" includes personal growth, employee well-being, professional communication, and corporate social responsibilities.

Responsibility

It is the responsibility of each Utilities, Inc. manager to:

- Ensure employees, consultants, contractors, and any external users are provided a copy of this corporate policy prior to their being granted the right to use an Electronic Communication Service.

It is the responsibility of each Utilities, Inc. Electronic Communication Services user to:

- Review and understand these procedures prior to using the service.
- Access all Electronic Communication Services at least once a day to retrieve messages and respond to them in a timely manner.
- Ensure that passwords are kept strictly to themselves.
- Ensure that the network connections made to facilitate information exchange do not jeopardize the confidentiality, integrity, or availability of information that may be stored or accessible from their terminal or computing devices.
- Advise his or her manager if there is reason to believe that the Electronic Communication System is being used for non-company business or illegal activities or if there is a possibility of a security breach.

It is the responsibility of the Network Coordinator to:

- Establish and maintain the Electronic Communication Directory.
- Delete the Electronic Communication Directory entry at the time an employee, contractor, or consultant terminates his or her relationship with the company.
- Provide protection of technical information and know-how by ensuring employees, consultants, contractors, and any external users of Electronic Communication Services are reminded of these procedures annually or whenever there is an organizational or an environmental change which warrants a reminder.

Electronic Communication Services Use

Electronic Communication Services may be made available to employees, contractors, consultants, and others for the sole purpose of conducting the company's business.

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Utilities, Inc. employees may provide their public electronic communication address to non-company colleagues with whom they need to communicate electronically for business purposes.

"Company-Maintained Systems" — Fax and electronic mail (e-mail) systems are maintained by the company in order to facilitate company business. Therefore, all messages sent, received, composed or stored on these systems are the property of the company.

"Personal Use" — These systems are to be used by employees in conducting company business and are not for employees' personal use. The company understands that on rare occasions employees may need to use these systems for personal business and is willing to accommodate such personal use to a limited degree. Although incidental and occasional personal use is permitted, users automatically waive any claim to privacy. If a communication is intended to be personal and confidential, alternative means of transmission should be considered. Personal use of Electronic Communication Services which interferes with an employee's work performance will not be tolerated. Employees may make reasonable personal use of the facilities, provided the use is not prohibited by this or any other company policy, and such use is restricted to employees, not their family or associates.

"Privacy" — The company reserves the right to access employees' faxes and e-mail messages at any time. Therefore, employees' outgoing messages or information must not indicate to any recipient that the incoming messages or information will be confidential or private. The existence of a password on any system is not intended to indicate that messages or information will remain private.

"Erasure Not Reliable" — Employees should be aware that even when a message has been erased, it still may be possible to retrieve it from a backup system. Therefore, employees should not rely on the erasure of messages to assume a message has remained private.

"Message Access" — Messages on Electronic Communication Services are to be accessed only by the intended recipient and by others at the direct request of the intended recipient. However, the company reserves the right to access messages on all systems at any time. Any attempt by persons other than the above to access messages on any system will constitute a serious violation of company policy.

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"Message Sending" — The security and protection of individual passwords is the responsibility of the individual owner of the password. Therefore, if something is authored from a password-protected system, the presumption will be that the message was initiated by the owner of the password.

"Internet Access" — Internet access during business hours should be used for business purposes only. Employees wishing to surf the Internet for purely personal reasons should do so on their lunch hours or after working hours.

Prohibited Use of Electronic Communication Services

Employees should not contribute to on-line discussions or e-mail messages in a way in which their personal position or opinion may be taken for the official position or opinion of the Company.

Employees should not use Electronic Communication Services for the distribution of unapproved commercial advertising material.

Employees may not knowingly introduce a computer virus anywhere on the Network.

"Harassment and Discrimination" — Using Electronic Communication Services in any discriminatory or harassing fashion is strictly prohibited. In particular, any written or graphic material of a sexual nature or material promoting hatred against a group or an individual is strictly prohibited.

"Gambling" — Any and all wagering for money is prohibited. This includes pools.

"Fundraising" — Any unauthorized fundraising is prohibited.

"Chain Letters" — The use of Electronic Communication Services to initiate or propagate Chain Mail is strictly prohibited.

Proprietary Information

Utilities, Inc.'s developed software, purchased software, documentation, process and product information must not be transferred to any non-Company entity for any reason other than business purposes expressly authorized by appropriate Company senior management.

Utilities, Inc.'s confidential information transmitted using Electronic Communication Services must be encrypted. If local regulations prohibit encryption, alternative methods of communication must be used.

Unless specified otherwise by contract, all confidential or proprietary information and software that has been entrusted or licensed to the Company by a third party (e.g., licensed commercial software) must be treated as though it were the Company's confidential information and not transmitted to others unless permitted by the license.

Electronic Communication Directories will be considered restricted information and, as such, must not be made available to Public Electronic Communication Services, or third parties, without the express written authorization of the President of Utilities, Inc.

Any directories provided by external organizations for the purpose of Company-approved electronic communication exchange must not be made available to other organizations or to Public Electronic Communication Services.

External Access Arrangements

For the purpose of conducting Company business, employees may have access to Public Electronic Communication Services.

For the purpose of conducting Company business, employees may have access to electronic mail and voice and data networks provided that they are accessed through the ARA (Apple Remote Access) or Lemah Security systems.

Abusive use of Electronic Communication Services will result in the privilege for using such Electronic Communication Services being withdrawn and, depending on the severity of the situation, will result in appropriate disciplinary action which may include immediate dismissal.

Use of Computer Software

Utilities, Inc. and its wholly-owned subsidiaries purchases or licenses the use of computer software from a variety of outside companies. Utilities, Inc. does not own the copyright to this software or its related documentation and, unless authorized by the software developer, does not have the right to reproduce it for more than one user.

With regard to use on local area networks or on multiple machines:

- Utilites, Inc. employees shall use the software only in accordance with the license agreement stated with the software package.
- Utilites, Inc. employees learning of any misuse of software or related documentation within the company shall immediately notify the Northbrook WAN Administrator.
- Illegal reproduction of software can be subject to civil damages of as much as \$100,000 per work copied, as well as criminal penalties, including fines and imprisonment.
- Utilites, Inc. does not condone the illegal duplication of software. Utilites, Inc. employees who make, acquire or use unauthorized copies of computer software at their home or on their business computer owned by Utilites, Inc. shall be disciplined appropriately.

Violation Of Policies

You are expected to abide by the policies in this manual. Failure to do so will lead to appropriate disciplinary action, which may include immediate dismissal or suspension without pay. A written record of all policy violations is maintained in each individual's personnel file.

A partial list of causes for possible disciplinary action (Unacceptable Activities) is presented under the "Standards Of Conduct" section of this manual. However, this list is not to be considered all-inclusive.

**WATER SERVICE CORPORATION OF KENTUCKY
FIRST DATA REQUEST OF COMMISSION STAFF
RESPONSE TO ITEM (12(b) SHEETS 1 THROUGH 10**

REPORT SPECIFICATIONS ARE:

REPORT DESCRIPTION - 4
LEDGER ID - GL
PERIOD - 01-14

---> COMPANY
STRUCTURE - 1
SELECTION - 160
SUBTOTAL -

---> SUBDIV
STRUCTURE - 6
SELECTION - ALL
SUBTOTAL -

---> ACCOUNT
STRUCTURE - 5
SELECTION - 401.1N
SUBTOTAL - 7

SEGMENT - THREE PRIOR ACT
ZERO SUPPRESS - Y
SUM AUTO JOURNALS - N
SUM ALL JOURNALS - N
PAGE BREAK - Y
SORT BREAK - N
PERIOD BREAK - N
EFFECTIVE RATE - N
DATE - EFFECTIVE
SORT SEQUENCE
- 1-COMPANY
- 3-ACCOUNT
- 2-SUBDIV

FOR THE 14 PERIODS ENDING 12/31/03

CO	SUBD	ACCNT	DESCRIPTION	DEBIT	CREDIT	EFF DATE	JOURNAL	BALANCE

60	0160	6049010	--HEALTH INS REIMBURSEMENTS--					
			60*0160*6049010 NC.SA.MA.OPER.03	316.00		01/21/04	160-SE50.A-14-04	
			160*0160*6049010 OFFICE.DISTRIB.03	16,050.00		01/21/04	160-SE50.A-14-05	
			160*0160*6049010 MW.W.OPER03	501.00		01/21/04	160-SE50.A-14-06	
			60*0160*6049010 MW.W.OPER03	69,550.00		01/21/04	160-SE50.A-14-06	
			60*0160*6049010 SE.60.WSC.DIST	2,866.70		01/22/04	160-SE60.A-14-01	
			SUBTOTAL FOR ACCO 6049010	89,283.70	0.00			BEG 0.00
								NET 89,283.70
								END 89,283.70
60	0160	6049011	--EMPLOYEE INS DEDUCTIONS--					
			160*0160*6049011 SE.60.WSC.DIST		637.04	01/22/04	160-SE60.A-14-01	
			SUBTOTAL FOR ACCO 6049011	0.00	637.04			BEG 0.00
								NET 637.04
								END 637.04-
160	0160	6049012	--HEALTH COSTS & OTHER--					
			160*0160*6049012 SE.60.WSC.DIST	59.10		01/22/04	160-SE60.A-14-01	
			SUBTOTAL FOR ACCO 6049012	59.10	0.00			BEG 0.00
								NET 59.10
								END 59.10
60	0160	6049015	--DENTAL INS REIMBURSEMENTS--					
			60*0160*6049015 SE.60.WSC.DIST	185.91		01/22/04	160-SE60.A-14-01	
			SUBTOTAL FOR ACCO 6049015	185.91	0.00			BEG 0.00
								NET 185.91
								END 185.91
60	0160	6049020	--PENSION CONTRIBUTIONS--					
			160*0160*6049020 NC.SA.MA.OPER.03	183.00		01/21/04	160-SE50.A-14-04	
			160*0160*6049020 OFFICE.DISTRIB.03	1,796.00		01/21/04	160-SE50.A-14-05	
			60*0160*6049020 MW.W.OPER03	190.00		01/21/04	160-SE50.A-14-06	
			60*0160*6049020 MW.W.OPER03	7,993.00		01/21/04	160-SE50.A-14-06	
			60*0160*6049020 SE.60.WSC.DIST	1,229.20		01/22/04	160-SE60.A-14-01	
			SUBTOTAL FOR ACCO 6049020	11,391.20	0.00			BEG 0.00
								NET 11,391.20
								END 11,391.20
160	0160	6049050	--HEALTH INS PREMIUMS--					
			160*0160*6049050 SE.60.WSC.DIST	489.86		01/22/04	160-SE60.A-14-01	
			SUBTOTAL FOR ACCO 6049050	489.86	0.00			BEG 0.00
								NET 489.86
								END 489.86
160	0160	6049055	--DENTAL PREMIUMS--					
			60*0160*6049055 SE.60.WSC.DIST	23.85		01/22/04	160-SE60.A-14-01	
			SUBTOTAL FOR ACCO 6049055	23.85	0.00			BEG 0.00
								NET 23.85
								END 23.85
60	0160	6049060	--TERM LIFE INS--					
			60*0160*6049060 SE.60.WSC.DIST	86.10		01/22/04	160-SE60.A-14-01	
			SUBTOTAL FOR ACCO 6049060	86.10	0.00			BEG 0.00

REPORT SPECIFICATIONS ARE:

REPORT DESCRIPTION - 4
LEDGER ID - GL
PERIOD - 01-14

---> COMPANY
STRUCTURE - 1
SELECTION - 160
SUBTOTAL -

---> SUBDIV
STRUCTURE - 6
SELECTION - ALL
SUBTOTAL -

---> ACCOUNT
STRUCTURE - 5
SELECTION - 401.1N
SUBTOTAL - 7

SEGMENT - TWO PRIOR ACT
ZERO SUPPRESS - Y
SUM AUTO JOURNALS - N
SUM ALL JOURNALS - N
PAGE BREAK - Y
SORT BREAK - N
PERIOD BREAK - N
EFFECTIVE RATE - N
DATE - EFFECTIVE
SORT SEQUENCE
- 1-COMPANY
- 3-ACCOUNT
- 2-SUBDIV

FOR THE 14 PERIODS ENDING 12/31/04

CO	SUBD	ACCNT	DESCRIPTION	DEBIT	CREDIT	EFF DATE	JOURNAL	BALANCE

60	8000	*6049010	--HEALTH INS REIMBURSEMENTS--					
60	8000	*6049010	nc.ma.oper.04	147.00		07/28/05	160-SE50.A-06-01	
160	8000	*6049010	nc.ma.oper.04	25,992.00		07/28/05	160-SE50.A-06-01	
160	8000	*6049010	office.distrib.04	6,498.00		07/28/05	160-SE50.A-06-01	
60	8000	*6049010	SE.60.WSC.DIST	1,608.00		07/28/05	160-SE60.A-06-01	
60	0160	*6049010	--HEALTH INS REIMBURSEMENTS--					
60	0160	*6049010	SE.60.WSC.DIST	3,216.00		02/04/05	160-SE60.A-14-03	
160	0160	*6049010	NC.MA.OPER.04	294.00		02/05/05	160-SE50.A-14-08	
160	0160	*6049010	OFFICE.DISTRIB.04	12,996.00		02/05/05	160-SE50.A-14-09	
60	0160	*6049010	NC.MA.OPER.04	51,984.00		02/05/05	160-SE50.A-14-10	
60	8000	*6049010	--HEALTH INS REIMBURSEMENTS--					
160	8000	*6049010	nc.ma.oper.04		147.00	07/28/05	160-SE50.A-14-12	
160	8000	*6049010	nc.ma.oper.04		25,992.00	07/28/05	160-SE50.A-14-12	
60	8000	*6049010	office.distrib.04		6,498.00	07/28/05	160-SE50.A-14-12	
60	8000	*6049010	SE.60.WSC.DIST		1,608.00	07/28/05	160-SE60.A-14-04	
			SUBTOTAL FOR ACCO 6049010	102,735.00	34,245.00			BEG 0.00 NET 68,490.00 END 68,490.00
60	8000	*6049011	--EMPLOYEE INS DEDUCTIONS--					
160	8000	*6049011	SE.60.WSC.DIST		475.50	07/28/05	160-SE60.A-06-01	
160	0160	*6049011	--EMPLOYEE INS DEDUCTIONS--					
60	0160	*6049011	SE.60.WSC.DIST		951.00	02/04/05	160-SE60.A-14-03	
60	8000	*6049011	--EMPLOYEE INS DEDUCTIONS--					
60	8000	*6049011	SE.60.WSC.DIST	475.50		07/28/05	160-SE60.A-14-04	
			SUBTOTAL FOR ACCO 6049011	475.50	1,426.50			BEG 0.00 NET 951.00 END 951.00-
160	8000	*6049012	--HEALTH COSTS & OTHER--					
160	8000	*6049012	SE.60.WSC.DIST	39.00		07/28/05	160-SE60.A-06-01	
60	0160	*6049012	--HEALTH COSTS & OTHER--					
60	0160	*6049012	SE.60.WSC.DIST	78.00		02/04/05	160-SE60.A-14-03	
60	8000	*6049012	--HEALTH COSTS & OTHER--					
160	8000	*6049012	SE.60.WSC.DIST		39.00	07/28/05	160-SE60.A-14-04	
			SUBTOTAL FOR ACCO 6049012	117.00	39.00			BEG 0.00 NET 78.00 END 78.00
160	8000	*6049015	--DENTAL INS REIMBURSEMENTS--					
60	8000	*6049015	SE.60.WSC.DIST	136.00		07/28/05	160-SE60.A-06-01	
60	0160	*6049015	--DENTAL INS REIMBURSEMENTS--					
60	0160	*6049015	SE.60.WSC.DIST	272.00		02/04/05	160-SE60.A-14-03	
160	8000	*6049015	--DENTAL INS REIMBURSEMENTS--					
160	8000	*6049015	SE.60.WSC.DIST		136.00	07/28/05	160-SE60.A-14-04	
			SUBTOTAL FOR ACCO 6049015	408.00	136.00			BEG 0.00 NET 272.00 END 272.00
60	8000	*6049020	--PENSION CONTRIBUTIONS--					
60	8000	*6049020	nc.ma.oper.04	116.00		07/28/05	160-SE50.A-06-01	
60	8000	*6049020	nc.ma.oper.04	4,311.50		07/28/05	160-SE50.A-06-01	
160	8000	*6049020	office.distrib.04	982.50		07/28/05	160-SE50.A-06-01	

FOR THE 14 PERIODS ENDING 12/31/04

CO	SUBD	ACCT	DESCRIPTION	DEBIT	CREDIT	EFF DATE	JOURNAL	BALANCE
160	8000	6049020	SE.60.WSC.DIST	731.00		07/28/05	160-SE60.A-06-01	
160	0160	6049020	--PENSION CONTRIBUTIONS--					
160	0160	6049020	SE.60.WSC.DIST	1,462.00		02/04/05	160-SE60.A-14-03	
160	0160	6049020	NC.MA.OPER.04	232.00		02/05/05	160-SE50.A-14-08	
160	0160	6049020	OFFICE.DISTRIB.04	1,965.00		02/05/05	160-SE50.A-14-09	
160	0160	6049020	NC.MA.OPER.04	8,623.00		02/05/05	160-SE50.A-14-10	
160	8000	6049020	--PENSION CONTRIBUTIONS--					
160	8000	6049020	nc.ma.oper.04		116.00	07/28/05	160-SE50.A-14-12	
160	8000	6049020	nc.ma.oper.04		4,311.50	07/28/05	160-SE50.A-14-12	
160	8000	6049020	office.distrib.04		982.50	07/28/05	160-SE50.A-14-12	
160	8000	6049020	SE.60.WSC.DIST		731.00	07/28/05	160-SE60.A-14-04	
			SUBTOTAL FOR ACCO 6049020	18,423.00	6,141.00			BEG 0.00 NET 12,282.00 END 12,282.00
160	8000	6049050	--HEALTH INS PREMIUMS--					
160	8000	6049050	SE.60.WSC.DIST	336.00		07/28/05	160-SE60.A-06-01	
160	0160	6049050	--HEALTH INS PREMIUMS--					
160	0160	6049050	SE.60.WSC.DIST	672.00		02/04/05	160-SE60.A-14-03	
160	8000	6049050	--HEALTH INS PREMIUMS--					
160	8000	6049050	SE.60.WSC.DIST		336.00	07/28/05	160-SE60.A-14-04	
			SUBTOTAL FOR ACCO 6049050	1,008.00	336.00			BEG 0.00 NET 672.00 END 672.00
160	8000	6049055	--DENTAL PREMIUMS--					
160	8000	6049055	SE.60.WSC.DIST	9.50		07/28/05	160-SE60.A-06-01	
160	0160	6049055	--DENTAL PREMIUMS--					
160	0160	6049055	SE.60.WSC.DIST	19.00		02/04/05	160-SE60.A-14-03	
160	8000	6049055	--DENTAL PREMIUMS--					
160	8000	6049055	SE.60.WSC.DIST		9.50	07/28/05	160-SE60.A-14-04	
			SUBTOTAL FOR ACCO 6049055	28.50	9.50			BEG 0.00 NET 19.00 END 19.00
160	8000	6049060	--TERM LIFE INS--					
160	8000	6049060	SE.60.WSC.DIST	67.50		07/28/05	160-SE60.A-06-01	
160	0160	6049060	--TERM LIFE INS--					
160	0160	6049060	SE.60.WSC.DIST	135.00		02/04/05	160-SE60.A-14-03	
160	8000	6049060	--TERM LIFE INS--					
160	8000	6049060	SE.60.WSC.DIST		67.50	07/28/05	160-SE60.A-14-04	
			SUBTOTAL FOR ACCO 6049060	202.50	67.50			BEG 0.00 NET 135.00 END 135.00
160	8000	6049065	--TERM LIFE INS - OPT--					
160	8000	6049065	SE.60.WSC.DIST	1.50		07/28/05	160-SE60.A-06-01	
160	0160	6049065	--TERM LIFE INS - OPT--					
160	0160	6049065	SE.60.WSC.DIST	3.00		02/04/05	160-SE60.A-14-03	
160	8000	6049065	--TERM LIFE INS - OPT--					
160	8000	6049065	SE.60.WSC.DIST		1.50	07/28/05	160-SE60.A-14-04	
			SUBTOTAL FOR ACCO 6049065	4.50	1.50			BEG 0.00 NET 3.00

FOR THE 14 PERIODS ENDING 12/31/04

CO	SUBD	ACCNT	DESCRIPTION	DEBIT	CREDIT	EFF DATE	JOURNAL	BALANCE
								END 3.00
160	8000	6049067	--AFLAC--					
160	8000	6049067	SE.60.WSC.DIST	0.50		07/28/05	160-SE60.A-06-01	
60	0160	6049067	--AFLAC--					
60	0160	6049067	SE.60.WSC.DIST	1.00		02/04/05	160-SE60.A-14-03	
160	8000	6049067	--AFLAC--					
160	8000	6049067	SE.60.WSC.DIST		0.50	07/28/05	160-SE60.A-14-04	
			SUBTOTAL FOR ACCO 6049067	1.50	0.50			BEG 0.00 NET 1.00 END 1.00
160	8000	6049070	--401K/ESOP CONTRIBUTIONS--					
60	8000	6049070	nc.ma.oper.04	153.50		07/28/05	160-SE50.A-06-01	
60	8000	6049070	nc.ma.oper.04	5,711.00		07/28/05	160-SE50.A-06-01	
60	8000	6049070	office.distrib.04	1,302.00		07/28/05	160-SE50.A-06-01	
160	8000	6049070	SE.60.WSC.DIST	962.50		07/28/05	160-SE60.A-06-01	
60	0160	6049070	--401K/ESOP CONTRIBUTIONS--					
60	0160	6049070	SE.60.WSC.DIST	1,925.00		02/04/05	160-SE60.A-14-03	
60	0160	6049070	NC.MA.OPER.04	307.00		02/05/05	160-SE50.A-14-08	
60	0160	6049070	OFFICE.DISTRIB.04	2,604.00		02/05/05	160-SE50.A-14-09	
60	0160	6049070	NC.MA.OPER.04	11,422.00		02/05/05	160-SE50.A-14-10	
60	8000	6049070	--401K/ESOP CONTRIBUTIONS--					
60	8000	6049070	nc.ma.oper.04		153.50	07/28/05	160-SE50.A-14-12	
60	8000	6049070	nc.ma.oper.04		5,711.00	07/28/05	160-SE50.A-14-12	
60	8000	6049070	office.distrib.04		1,302.00	07/28/05	160-SE50.A-14-12	
60	8000	6049070	SE.60.WSC.DIST		962.50	07/28/05	160-SE60.A-14-04	
			SUBTOTAL FOR ACCO 6049070	24,387.00	8,129.00			BEG 0.00 NET 16,258.00 END 16,258.00
60	8000	6049080	--DISABILITY INSURANCE--					
60	8000	6049080	SE.60.WSC.DIST	28.00		07/28/05	160-SE60.A-06-01	
60	0160	6049080	--DISABILITY INSURANCE--					
60	0160	6049080	SE.60.WSC.DIST	56.00		02/04/05	160-SE60.A-14-03	
60	8000	6049080	--DISABILITY INSURANCE--					
60	8000	6049080	SE.60.WSC.DIST		28.00	07/28/05	160-SE60.A-14-04	
			SUBTOTAL FOR ACCO 6049080	84.00	28.00			BEG 0.00 NET 56.00 END 56.00
60	8000	6049090	--OTHER EMP PENS & BENEFITS--					
60	8000	6049090	nc.ma.oper.04	13.00		07/28/05	160-SE50.A-06-01	
60	8000	6049090	nc.ma.oper.04	2,322.00		07/28/05	160-SE50.A-06-01	
60	8000	6049090	office.distrib.04	580.50		07/28/05	160-SE50.A-06-01	
60	8000	6049090	SE.60.WSC.DIST	52.50		07/28/05	160-SE60.A-06-01	
60	0160	6049090	--OTHER EMP PENS & BENEFITS--					
60	0160	6049090	SE.60.WSC.DIST	105.00		02/04/05	160-SE60.A-14-03	
60	0160	6049090	NC.MA.OPER.04	26.00		02/05/05	160-SE50.A-14-08	
60	0160	6049090	OFFICE.DISTRIB.04	1,161.00		02/05/05	160-SE50.A-14-09	
60	0160	6049090	NC.MA.OPER.04	4,644.00		02/05/05	160-SE50.A-14-10	
60	8000	6049090	--OTHER EMP PENS & BENEFITS--					
60	8000	6049090	nc.ma.oper.04		13.00	07/28/05	160-SE50.A-14-12	

FOR THE 14 PERIODS ENDING 12/31/04

CO	SUBD	ACCNT	DESCRIPTION	DEBIT	CREDIT	EFF DATE	JOURNAL	BALANCE
60	8000	6049090	nc.ma.oper.04		2,322.00	07/28/05	160-SE50.A-14-12	
60	8000	6049090	office.distrib.04		580.50	07/28/05	160-SE50.A-14-12	
160	8000	6049090	SE.60.WSC.DIST		52.50	07/28/05	160-SE60.A-14-04	
SUBTOTAL FOR ACCO 6049090				8,904.00	2,968.00			BEG 0.00 NET 5,936.00 END 5,936.00
SUBTOTAL FOR ACCO 6049090				0.00	0.00			BEG 0.00 NET 0.00 END 0.00
GRAND TOTALS:				156,778.50	53,527.50			BEG 0.00 NET 103,251.00 END 103,251.00

REPORT SPECIFICATIONS ARE:

REPORT DESCRIPTION - 4
LEDGER ID - GL
PERIOD - 01-14

---> COMPANY
STRUCTURE - 1
SELECTION - 160
SUBTOTAL -

---> SUBDIV
STRUCTURE - 6
SELECTION - ALL
SUBTOTAL -

---> ACCOUNT
STRUCTURE - 5
SELECTION - 401.1N
SUBTOTAL - 7

SEGMENT - PRIOR YR ACT
ZERO SUPPRESS - Y
SUM AUTO JOURNALS - N
SUM ALL JOURNALS - N
PAGE BREAK - Y
SORT BREAK - N
PERIOD BREAK - N
EFFECTIVE RATE - N
DATE - EFFECTIVE
SORT SEQUENCE
- 1-COMPANY
- 3-ACCOUNT
- 2-SUBDIV

13. Provide the impact the pending stock purchase of Nuon USA will have upon the employee information provided in the responses to 12.

Response: Witness – Kirsten Weeks. The pending stock purchase will have no impact on employee information provided in response to 12.

14. a. Provide a schedule detailing all test-period expenditures related to the application filed in this current proceeding. Provide in the schedule the nature and amounts of all charges along with a copy of vendor invoices. The invoices should contain detailed descriptions of the services, the amount of time billed for each service, and the hourly billing rate. Identify the account number and title to which each amount was charged.
- b. Provide the anticipated total cost of the case upon completion. The projected amount should be detailed by type of service and vendor with supporting documentation for each.
- c. Provide a monthly update of the schedule requested in 14(a) showing all of the costs incurred as of that date. Include the supporting detailed vendor invoices as requested in 14(a).

Response:

- a. Witness – Kirsten Weeks. Please see the enclosed schedule and supporting invoices and documentation, tab 14.
- b. Witness – Kirsten Weeks. Please see the schedule previously provided in response to item (3), specifically sheet 7 of 27. This schedule shows the anticipated total cost by type of service. Vendors are not listed, but would likely include John Hughes (attorney), AUS (rate of return witness), vendors that would provide mailing or postal services, newspapers, and vendors that provide travel services. This is not an exclusive list of vendors that may be used, but provides an idea of the types of vendors that typically are booked to rate case expense.
- c. Witness – Kirsten Weeks. Monthly schedules will be provided as become available.

**WATER SERVICE CORPORATION OF KENTUCKY
FIRST DATA REQUEST OF COMMISSION STAFF
RESPONSE TO ITEM (14)(a), SHEETS 1 THROUGH 12**

REPORT DESCRIPTION - DETAIL GENERAL LEDGER - GL
LEDGER ID - GL
PERIOD - 01-09

---> COMPANY
STRUCTURE - 2
SELECTION - 160
SUBTOTAL -

---> SUBDIV
STRUCTURE - 6
SELECTION - ALL
SUBTOTAL -

---> ACCOUNT
STRUCTURE - 5
SELECTION - 1863015,1863025
SUBTOTAL -

SEGMENT - CURRENT YR ACT
ZERO SUPPRESS - Y
SUM AUTO JOURNALS - N
SUM ALL JOURNALS - N
PAGE BREAK - N
SORT BREAK - N
PERIOD BREAK - N
EFFECTIVE RATE - N
DATE - EFFECTIVE
SORT SEQUENCE
- 1-COMPANY
- 2-SUBDIV
- 3-ACCOUNT

Item (14)(a), Sheet 3 of 12

AUS

Utility Services Group

AUS Consultants
155 Gaither Drive
PO Box 1050
Moorestown, NJ 08057-1050
856 234 9200

Steve Lubertozzi
Utilities Inc.
Water Service Corp of Kentucky
2335 Sanders Road
Northbrook, IL 60062-6196

Invoice Number	094745
Invoice Date	July 11, 2005
PO Number	
Contract	ROR
Project	50-1134
Page	1
Incorporated	FID# 22-1943906
www.ausinc.com	
Consultant:	
PAULINE M. AHERN	
PAHERN@AUSINC.COM	

Professional Services

5,000.00

Invoice Total

5,000.00

2

Please make check payable to:
Utility Services Group
P.O. Box 1050
Moorestown, NJ 08057-1050

Invoice due upon presentation

50WAT01

160 - 0160 - 1863015

AUS

v 11821

Invoice Number	095286
Invoice Date	September 13, 2005
PO Number	
Contract	ROR
Project	50-1134
Page	1
Incorporated	FID# 22-1943906
www.ausinc.com	
Consultant:	
PAULINE M. AHERN	
PAHERN@AUSINC.COM	

Utility Services Group
 AUS Consultants
 155 Gaither Drive
 PO Box 1050
 Moorestown, NJ 08057-1050
 856 234 9200

Steve Lubertozzi
 Utilities Inc.
 Water Service Corp of Kentucky
 2335 Sanders Road
 Northbrook, IL 60062-6196

Professional Services

4,000.00

Invoice Total

4,000.00

Please make check payable to:
 Utility Services Group
 P.O. Box 1050
 Moorestown, NJ 08057-1050

2

Invoice due upon presentation

50WAT01

160-0160-1863015

Holiday Inn EXPRESS

DANIEL, CARL MR

(704) 525-5049

HOLIDAY INN EXPRESS
 3711 CHAMBERLAIN LANE
 LOUISVILLE KY 40241
 PH:502-814-0004
 FX:502-814-0007

OWNED BY HEMISH, L.L.C. AND OPERATED BY HEMISH,
 L.L.C

balance as of 5/18/2005 is

014418

Points from this stay not included.

Item (14)(a), Sheet 5
 of 12

ROOM :	118
ARRIVAL :	5/16/2005
DEPARTURE :	5/18/2005
ACCOUNT # :	158633
RATE PLAN :	ARP
GTD/PMT CODE :	VS

DATE	TYPE	IP	REFERENCE	CHARGE	POINTS	BALANCE
5/16/2005	400	[AUTO]	ROOM	\$80.10		\$80.10
5/16/2005	920	[AUTO]	TAX - STATE	\$5.21		\$85.31
5/16/2005	921	[AUTO]	TAX - OCCUPANCY	\$6.01		\$91.32
5/17/2005	400	[AUTO]	ROOM	\$80.10		\$171.42
5/17/2005	920	[AUTO]	TAX - STATE	\$5.21		\$176.63
5/17/2005	921	[AUTO]	TAX - OCCUPANCY	\$6.01		\$182.64
			BALANCE			\$182.64

ACCOUNT NO.
CARD MEMBER NAME
ESTABLISHMENT NO & LOCATION HOLIDAY INN EXPRESS 3711 CHAMBERLAIN LANE LOUISVILLE KY 40241
SIGNATURE X

DATE OF CHANGE	I.D.
AUTHORIZATION 028188	028188 \$210.00
TOTAL AMOUNT	

eTicket Receipt Duplicate Copy

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US Airways Reservation Code: IXWLIS
Ticket number: 0372177655859
Issuing airline: US AIRWAYS
Date issued: 13MAY05
Passenger: DANIEL/CARL

Issuing agent: CENTRALIZED TBM
Issuing agent: XTMWBW

Frequent flyer number: US3651226

16MAY US AIRWAYS US 2715			
From:	CHARLOTTE, NC	Departs:	505P Economy Confirmed
To:	LOUISVILLE, KY	Arrives:	631P Fare basis: BA3USF
Operated by: US AIRWAYS EXPRESS-MESA AIRLINES			
18MAY US AIRWAYS US 2777			
From:	LOUISVILLE, KY	Departs:	1150A Economy Confirmed
To:	CHARLOTTE, NC	Arrives:	110P Fare basis: BA3USF
Operated by: US AIRWAYS EXPRESS-MESA AIRLINES			

Form of payment: Credit Card - Bankamericard/Visa: XXXXXXXXXXXXX 1931

Endorsement / restrictions: NONE

Fare calculation line:

CLT US SDF Q9.30 417.67BA3USF US CLT Q9.30 417.67BA3USF 853.94 END ZPCLTSDF
XT5.00AY6.00XFCLT3SDF3

Fare:	USD 853.94
Taxes/fees/charges	
Taxes/fees/charges:	USD 64.06 US US Transportation Tax
Taxes/fees/charges:	USD 6.40 ZP US Segment Tax
Taxes/fees/charges:	USD 11.00 XT Combined Taxes
Total:	USD 935.40

Positive identification required for airport check in

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Sabre
virtually
there

Item (14)(a), Sheet 8
of 12

5/18/85 8:32 AM

S

WELCOME TO MEIJER

Meijer Gas # 4
16781 Fischer Park D
Louisville KY 40229
PHONE #58232229
SIGRE #164 01
VISA 2 07/81
*****31
REF# 175744
05/18/2005 05:22

PUMP 4
GRADE R
GALLONS 6.989
PRICE/GAL 1.969
FUEL SALE 13.60

APPROVED

THANKS FOR SHOPPING
WITH US

CUSTOMER COPY

U.S AIRWAYS

eTicket Receipt Duplicate Copy

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US Airways Reservation Code: JQVNIJ
Ticket number: 0372178951862
Issuing airline: US AIRWAYS
Date issued: 16AUG05
Passenger: DANIEL/CARL

Issuing agent: CENTRALIZED TBM
Issuing agent: XTM/WBW

Frequent flyer number: US3651226

17AUG US AIRWAYS US 4168			
From:	CHARLOTTE, NC	Departs:	912A Economy Confirmed
To:	HUNTINGTON, WV	Arrives:	1027A Fare basis: B8USF
Operated by: US AIRWAYS EXPRESS-PIEDMONT AIRLINES			
17AUG US AIRWAYS US 4487			
From:	HUNTINGTON, WV	Departs:	835P Economy Confirmed
To:	CHARLOTTE, NC	Arrives:	950P Fare basis: B8USF
Operated by: US AIRWAYS EXPRESS-PIEDMONT AIRLINES			

Form of payment: Credit Card - Bankamericard/Visa: XXXXXXXXXXXX 1931

Endorsement / restrictions: NONE

Fare calculation line:
CLT US HTS Q9.30 427.91B8USF US CLT Q9.30 427.91B8USF 874.42 END ZPCLTHTS
XT5.00AY6.00XFCLT3HTS3

Fare:	USD 874.42
Taxes/fees/charges	
Taxes/fees/charges:	USD 65.58 US US Transportation Tax
Taxes/fees/charges:	USD 6.40 ZP US Segment Tax
Taxes/fees/charges:	USD 11.00 XT Combined Taxes
Total:	USD 957.40

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Item (14) (a), Sheet 10 of 12

THANK YOU
VISIT US
WWW.SPEEDWAY.COM

SPEEDWAY #9670
2900 SHERWOOD
MARTINSDALE, WV

1 KONCA CAM W/FLH	7.99
SUBTOTAL:	7.99
TAX:	0.48
TOTAL:	8.47

Cash : 10.00
CHANGE: 1.53

0767144 08/17/05 17:35:10
By: 290190 Drawer: B

Item (14)(a), Sheet 1 of 12

EXPRESS PXX

AYS

WELCOME

4218316-OCH
DEALER # 4218316

*
*
XXXXXXXXXXXXXXXXXXXX1931
CARD # 193
INV # OCH5885
AUTH # 835719
98/17/95 18:37

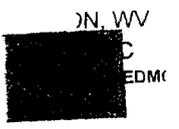


951862
AYS
5

PUMP # 85 UNLD
GALLONS 4.891
PRICE/GAL \$ 2.689
FUEL SALE \$ 11.00
TOTAL (C) \$ 11.00

E, NC
DN, WV
SS-PIEDMO

THANK YOU
HAVE A NICE DAY



Form of payment: Credit Card - Banka

Endorsement / restrictions: NONE

Fare calculation line:
CLT US HTS Q9.30 427.91B8USF
XT5.00AY6.00XFCLT3HTS3

Fare: USD 8
Taxes/fees/charges: USD
Taxes/fees/charges: USD
Taxes/fees/charges: USD
Taxes/fees/charges: USD
Total: USD 8

Item (14)(a), Sheet 12 of 12

CHARLOTTE, NC 28208
BIRMINGHAM P
L HI

BATCH: 176
S-A-L-E-S D-R-A-F-T
73457074
000012002780

REF: 0033
CD TYPE: VISA
TR TYPE: PURCHASE
DATE: AUG 17, 05 22:06:14

*Packaging
Kil trip*

TOTAL \$16.00

ACCT: 1931 EXP: **/**
AP: 004568
NAME: CARL DANIEL

CARDMEMBER ACKNOWLEDGES RECEIPT OF GOODS
AND/OR SERVICES IN THE AMOUNT OF THE
TOTAL SHOWN HEREON AND AGREES TO PERFORM
THE OBLIGATIONS SET FORTH BY THE
CARDMEMBER'S AGREEMENT WITH THE ISSUER

THANKS FOR USING VISA

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15. For each debt of Water Service currently outstanding or outstanding during the test year,
- a. Provide a current amortization schedule that includes the entire life of the loan or bond and that details the payment amounts, principal retirements, interest payments, interest rates, and outstanding balances.
 - b. Provide a description of the use of the borrowed funds.

Response: Witness – Kirsten Weeks. Water Service Corporation of Kentucky has no debt. All debt is carried at the parent company level.

16. Provide Water Service's long-term construction planning program.

Response: Witness – Kirsten Weeks. Water Service's long-term construction planning program was provided in the application. See exhibit 18 of the Application.

17. Provide a complete copy of all wage, compensation, and employee benefits studies, analyses, or surveys conducted for or utilized by Water Service.

Response: Witness – Kirsten Weeks. No such document exists.

18. For each water operation employee group, state the amount, percentage increases, and effective dates for general wage increases and, separately, for merit increases granted for the years 2003, 2004, and 2005.

Response: Witness – Kirsten Weeks. For water operation employees, only general wage increases have been granted. 2005 increases have yet to be implemented, but will be beginning with the October 15, 2005 pay period, retroactive to July 1, 2005. 2003 was the first full year of salary expense for WSCK, as the Company was acquired in late 2002. Therefore, only the 2003 to 2004 increase is applicable. In 2003, salaries for operators were \$384,907.32 and in 2004, salaries for operators were \$391,795.82. This constitutes a 1.79% increase in 2004 salaries over 2003 salaries. Salary increases go into effect on July 1st of each year.

19. Provide complete details of all early retirement plans or other staff reduction programs Water Service intends to offer its employees during 2005 and 2006.

Response: Witness – Kirsten Weeks. Water Service Corporation of Kentucky will not offer its employees early retirement plans or other staff reduction programs. If these programs even were offered, they would be through Water Service Corporation, since all employees are actually employed by Water Service Corporation.

20. Concerning employee fringe benefits:

- a. Provide a detailed list of all fringe benefits available to Water Service employees and the expected cost of each benefit in 2004 and 2005. Indicate which fringe benefits, if any, are limited to management employees.
- b. Provide comparative cost information for 2002, 2003, and 2004. Explain any changes in fringe benefit information occurring over this period.
- c. Provide the impact the pending stock purchase of Nuon USA will have upon the employee fringe benefit information provided in the response to items 20(a) and (b).

Response:

- a. Witness – Kirsten Weeks. All employees are actually employed by Water Service Corporation, not WSCK.
- b. Witness – Kirsten Weeks. Please see the employee benefits manual provided in response to this item, tab 20. Also, please see the general ledgers provided for 2002, 2003, and 2004 showing comparative cost information for benefits allocated to WSCK.
- c. Witness – Kirsten Weeks. The pending stock purchase will have no impact on employee fringe benefit information previously provided.

21. List separately the budgeted and actual numbers of full and part-time employees by employee group, by month and by year for 2001 through 2004.

Response: Witness – Kirsten Weeks. The Company does not have a budgeted number of employees. In addition, the Company was not acquired until late 2002. Please see the following numbers of actual employees by employee group by year, as this information by month does not exist.

	<u>Operators</u>	<u>Office/Administrative</u>	<u>Corporate HQ</u>
2002	14	5	33
2003	14	5	38
2004	13	3	35

22. Provide the impact the pending stock purchase of NUON USA will have upon the budgeted 2005 full and part-time employees by employee group.

Response: Witness – Kirsten Weeks. The Company does not have a budgeted number of employees. There is no expected impact on the number of employees as a result of the stock acquisition.

23. Provide complete details of Water Service's other post-retirement employee benefits package(s).

Response: Witness – Kirsten Weeks. As previously mentioned employees providing service for WSCK are actually employed by Water Service Corporation. All post-retirement employee benefits have been previously provided in response to 20(b).

24. Provide all current labor contracts and the most recent contracts previously in effect.

Response: Witness – Kirsten Weeks. No such document exists.

25. Provide a complete copy of each group medical insurance policy that Water Service currently maintains.

Response: Witness – Kirsten Weeks. No such document exists. Group medical insurance policies are maintained by Water Service Corporation.

26. List all properties leased to the utility and improvements to leased properties, together with annual lease payments which are capitalized.

Response: Witness – Kirsten Weeks. The Company has no capitalized leases.

27. Provide a calculation of federal and state income tax expense, including a reconciliation of book to taxable income for 2004 in the format provided in Schedule 27.

Response: Witness – Kirsten Weeks. Please see the enclosed reconciliations, tab 27. A calculation of federal and state income tax expense is included with the filing workpapers in item (3) of this data request.

**WATER SERVICE CORPORATION OF KENTUCKY
FIRST DATA REQUEST OF COMMISSION STAFF
RESPONSE TO ITEM (27), SHEETS 1 THROUGH 3
STATE TAXES**

Water Service Corporation of Kentucky
 Case No. 2005-00325
 Adjusted Jurisdictional Federal and Kentucky State Income Taxes*
 For the 12 Months Ended December 31, 2004

Schedule 27
 Page 1 of 3
 Witness Responsible:
Kristen Woods

Line No.	Description	At Current Rates		At Proposed Rates	
		Unadjusted (1)	Schedule 49 Adjustments (2)	Adjusted (3)	Adjusted (5)
1	Operating Income Before Income Taxes	\$ 4327	\$	\$ 4327	\$ 639,872
2	Reconciling Items:				
3	Interest Charges				
4	Tax Accelerated Depreciation	487,969		487,969	241,5737
5	Book Depreciation	172,408		172,408	211,6396
6	Excess of Tax Over Book Depreciation	315,501		315,501	
7	Other Reconciling Items (Specify and List)	193,902		193,902	
8	Total Reconciling Items				
9	Taxable Income	509,4957		509,4957	937,596
10	Income Tax Rates:				
11	\$ 25,000 @ 4 %				
12	\$ 25,001-50K @ 5 %				
13	\$ 50,001-100K @ 6 %				
14	\$ 100,001-250K @ 7 %				
15	Over \$ 250K @ 8 %				
16	Federal (State) Income Tax Liability				29,998

*Separate Schedules should be completed for the Federal and State calculations.

Water Service Corporation of Kentucky
 Case No. 2005-00325
 Adjusted Jurisdictional Federal and Kentucky State Income Taxes*
 For the 12 Months Ended December 31, 2004

Schedule 27
 Page 2 of 3
 Witness Responsible:
Kristen Woods

Line No.	Description	At Current Rates		At Proposed Rates	
		Unadjusted (1)	Schedule 49 Adjustments (2)	Adjusted (3)	Adjusted (5)
17	Investment Tax Credits	\$ _____	\$ _____	\$ _____	\$ _____
18	Federal (State) Income Taxes - Current	_____	_____	_____	_____
19	Deferred Income Taxes:	_____	_____	_____	_____
20	Tax Accelerated Depreciation	_____	_____	_____	_____
21	Tax Straight-Line Depreciation	_____	_____	_____	_____
22	Excess of Accelerated Over Straight-Line Depreciation	_____	_____	_____	_____
23	Deferred Income Tax @ _____ %	_____	_____	_____	_____
24	Amortization of Prior Years Deferred Income Taxes	_____	_____	_____	_____
25	Net Deferred Income Taxes Resulting from Depreciation	_____	_____	_____	_____
26	Investment Tax Credit Deferred	_____	_____	_____	_____
27	Amortization of Prior Year ITC	_____	_____	_____	_____

*Separate Schedules should be completed for the Federal and State calculations.

Water Service Corporation of Kentucky
 Case No. 2005-00325
 Adjusted Jurisdictional Federal and Kentucky State Income Taxes*
 For the 12 Months Ended December 31, 2004

Schedule 27
 Page 3 of 3
 Witness Responsible:
KIRSTEN WALKS

Line No.	Description	At Current Rates			At Proposed Rates	
		Unadjusted (1)	Schedule 49 Adjustments (2)	Adjusted (3)	Adjustments (4)	Adjusted (5)
28	Investment Tax Credit - Net	\$	\$	\$	\$	\$
29	Other Tax Deferrals (Specify and List Separately)	11,395		11,395	<11,3957	--
30	Total Deferred Income Taxes	11,395		11,395	<11,3957	--
31	Total Federal (State) Income Taxes (18 + 30)	11,395		11,395	<18,0037	29,998

*Separate schedules should be completed for the Federal and State calculations.

**WATER SERVICE CORPORATION OF KENTUCKY
FIRST DATA REQUEST OF COMMISSION STAFF
RESPONSE TO ITEM (27), SHEET 1
RECONCILING ITEMS**

WATER SERVICE CORPORATION OF KENTUCKY
FIRST DATA REQUEST OF COMMISSION STAFF
RESPONSE TO ITEM (27)

	<u>Federal Taxes</u>	<u>State Taxes</u>
Line (7), Other Reconciling Items:		
IDC	(5,618)	(5,618)
Deferred maintenance - CY additions	(191,405)	(191,405)
Deferred maintenance - CY amortization	30,023	30,023
Deferred rate case - CY additions	(1,420)	(1,420)
Organization expense - amortization	(25,542)	(25,542)
Total	<u>(193,962)</u>	<u>(193,962)</u>
Line (29), Other Tax Deferrals:		
Net change in deferred maintenance - CY	60,522	13,398
Turnaround of PY deferred maintenance	(9,493)	(2,102)
Net change in rate case - CY	449	99
Organization expense - amortization	8,684	-
Total	<u>60,162</u>	<u>11,395</u>

**WATER SERVICE CORPORATION OF KENTUCKY
FIRST DATA REQUEST OF COMMISSION STAFF
RESPONSE TO ITEM (27), SHEETS 1 THROUGH 3
FEDERAL TAXES**

Water Service Corporation of Kentucky
 Case No. 2005-00325
 Adjusted Jurisdictional Federal and State Income Taxes*
 For the 12 Months Ended December 31, 2004

Schedule 27
 Page 1 of 3
 Witness Responsible:
KIRSTEN WOODS

Line No.	Description	At Current Rates		At Proposed Rates		
		Unadjusted (1)	Schedule 49 Adjustments (2)	Adjusted (3)	Adjusted (4)	Adjusted (5)
1	Operating Income Before Income Taxes	\$ <327	\$	\$ <327	\$ 609,872	\$ 609,840
2	Reconciling Items:					
3	Interest Charges	487,969		487,969	211,741	211,741
4	Tax Accelerated Depreciation	172,408		172,408	<211,513>	246,396
5	Book Depreciation	315,501		315,501	739,288	246,396
6	Excess of Tax Over Book Depreciation	193,902		193,902	<315,501>	—
7	Other Reconciling Items (Specify and List)				<193,902>	—
8	Total Reconciling Items					
9	Taxable Income	<509,495>		<509,495>	937,596	428,101
10	Income Tax Rates:					state
11	\$ @ 21 %					<29,998>
12	\$ @ %					tax
13	\$ @ %					
14	\$ @ %					
15	Over \$ @ %					398,103
16	Federal (State) Income Tax Liability	<113,228>		<113,228>	308,583	135,355

*Separate Schedules should be completed for the Federal and State calculations.

Water Service Corporation of Kentucky
 Case No. 2005-00325
 Adjusted Jurisdictional Federal and State Income Taxes*
 For the 12 Months Ended December 31, 2004

Schedule 27
 Page 2 of 3
 Witness Responsible:
KIRSTEN WOODS

Line No.	Description	At Current Rates		At Proposed Rates	
		Unadjusted (1)	Schedule 49 Adjustments (2)	Adjusted (3)	Adjusted (5)
17	Investment Tax Credits	\$	\$	\$	\$
18	Federal (State) Income Taxes - Current	<u><113,2287</u>		<u><173,2287</u>	<u>308,583</u>
19	Deferred Income Taxes:				
20	Tax Accelerated Depreciation	487,969		487,969	<211,5737
21	Tax Straight-Line Depreciation	<u>172,468</u>		<u>172,468</u>	<u>73,928</u>
22	Excess of Accelerated Over Straight-Line Depreciation	315,501		315,501	<315,5017
23	Deferred Income Tax @ <u>311</u> %	107,210		107,210	<107,2707
24	Amortization of Prior Years Deferred Income Taxes				
25	Net Deferred Income Taxes Resulting from Depreciation	<u>107,210</u>		<u>107,210</u>	<u><107,2707</u>
26	Investment Tax Credit Deferred				
27	Amortization of Prior Year ITC				

*Separate Schedules should be completed for the Federal and State calculations.

Water Service Corporation of Kentucky
 Case No. 2005-00325
 Adjusted Jurisdictional Federal and State Income Taxes*
 For the 12 Months Ended December 31, 2004

Schedule 27
 Page 3 of 3
 Witness Responsible:
KIRSTEN WALKS

Line No.	Description	At Current Rates		At Proposed Rates	
		Unadjusted (1)	Schedule 49 Adjustments (2)	Adjustments (4)	Adjusted (5)
28	Investment Tax Credit - Net	\$	\$	\$	\$
29	Other Tax Deferrals (Specify and List Separately)	60,110.7		60,110.7	
30	Total Deferred Income Taxes	110,743.2		110,743.2	
31	Total Federal (State) Income Taxes (18 + 30)	141,150.7		141,150	135,355

*Separate schedules should be completed for the Federal and State calculations.

28. For each of the Statement of Financial Accounting Standards ("SFAS") identified below, provide the information listed concerning implementation for Water Service's utility operations/

a. SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions."

- (1) The date that Water Service adopted the SFAS.
- (2) The effect on the financial statements.
- (3) Whether the test period includes any impact of the implementation. If so, provide detailed information regarding the impact.

b. SFAS No. 109, "Accounting for Income Taxes."

- (1) The date that Water Service adopted the SFAS.
- (2) The effect on the financial statements.
- (3) Whether the test period includes any impact of the implementation. If so, provide detailed information regarding the impact.

c. SFAS No. 112, "Employers' Accounting for Postretirement Benefits."

- (1) The date that Water Service adopted the SFAS.
- (2) The effect on the financial statements.
- (3) Whether the test period includes any impact of the implementation. If so, provide detailed information regarding the impact.

d. SFAS No. 143, "Accounting for Asset Retirement Obligations."

- (1) The date that Water Service adopted the SFAS.
- (2) The effect on the financial statements.
- (3) Whether the test period includes any impact of the implementation. If so, provide detailed information regarding the impact.
- (4) A schedule comparing the depreciation rates utilized by Water Service prior to and after the adoption of SFAS No. 143. The schedule should identify the assets corresponding to the affected depreciation rates.

Response:

- a. Not applicable.
- b. Income taxes are computed at the consolidated level for all of Utilities, Inc. operating companies.
- c. Not applicable.
- d. Utilities, Inc.'s financial statements, in note 10, state the following:
SFAS no. 143 "Accounting for Asset Retirement Obligations" requires that the fair value of a liability for an asset retirement obligation be

recognized in the period in which it is incurred. When the liability is initially recognized, the carrying amount of the related long-lived asset is increased by the same amount. Over time, the liability is accreted to its present value and the capitalized cost is depreciated over the useful life of the related asset. Statement 143 is effective beginning in 2003. The Company has identified potential retirement obligations relating to its water and wastewater properties, but intends to operate these assets indefinitely. As such, the Company has not recognized a liability related to asset retirement obligations.

29. Provide copies of all service agreements and contracts that Water Service has with any affiliate company. Include a narrative discussion of the pricing policies of Water Service and its affiliates with regard to affiliate company transactions.

Response: The Company is currently locating its contract with its affiliate, Water Service Corporation. The contract will be provided as soon as it is available.

30. Concerning transactions between Water Service and any affiliated companies:
- a. Provide a comprehensive list and detailed description of any goods or services that have been provided to Water Service by any affiliated company.
 - b. Describe the benefits that Water Service derives from having affiliates provide the goods or services identified in part (a).
 - c. Provide a comprehensive list and detailed description of any goods or services that Water Service has provided to any affiliate companies.

Response:

- a. Please see the attached list of services. Tab 30.
- b. Water Service Corporation of Kentucky (WSCK) benefits in many ways from being a part of the Utilities, Inc. family. Water Service Corporation (WSC) is able to provide the above services which are essential to the operations of WSCK and all other UI operating subsidiaries due to its highly centralized management system. Any charge that can be directly assigned to WSCK will be charged as such, while other expenses that cannot be directly assigned "without excessive effort and expense" are allocated among the various UI subsidiaries. If WSCK were to operate as a "stand-alone" company, it could not internally provide the same services. For example, WSCK could not afford its own regulatory counsel, accountants, data processors, billing professionals, customer service representatives, human resource professionals, and administrative assistants. It could not practically provide these services on its own at a reasonable cost, or with the quality and quantity of services it receives by being part of the UI family. WSC provides all the services mentioned above for all UI operating companies, thus creating economies of scale, which could not be achieved by any of these companies on a "stand-alone" basis. WSC receives no compensation nor collects a profit from the operating subsidiaries.
- c. WSCK does not provide services to any affiliated companies

**WATER SERVICE CORPORATION OF KENTUCKY
FIRST DATA REQUEST OF COMMISSION STAFF
RESPONSE TO ITEM (30)(a), SHEETS 1 THROUGH 2**

Item (30)(a)

Services Provided by Water Service Corporation

Accounting Studies	Interest Income	Printing Customer Service
AFLAC	Internet Supplier	Publ Subscriptions & Tapes
Agency Expense	Internet Supplier	Real Estate Tax
Alarm System Phone Expense	Landscaping, Mowing, Snow	Reim of Off Emp Exp.
Answering Service	Legal Fees	Rental Income
Audit Fees	Meals & Related Exp	Repair Off Mach & Heating
Auto Licenses	Memberships	S/T Int Exp Other
Auto Repair & Tires	Memberships - Company	Salaries - Operations
Bank Service Charges	Memberships - Office Employee	Salaries - Office
Bill Stock	Microfilming	Sal-Computer
Cap Sal - Admin	Misc. Income	Sale of Trans Equipment
Chemicals	Non-Utility Salaries	Sales/Use Tax Exp.
Cleaning Supplies	Off Supply Stores	Sal-IL Customer Service
Communication Expense	Office Cleaning Serv	Sal-IL Office
Computer Maint	Office Comp Phone Line	Sal-IL Office Exempt
Computer Supplies	Office Education/Train Exp	SUTA-IL
Computer Supplies - Billing	Office Electric	SUTA-NC
Computer-Amort & Prog. Cost	Office Fax Phone Line	Tax Return Review
Decor & Repaint Structures	Office Garbage Removal	Temp Empl.
Deferred Inc. Taxes - Federal	Office Gas	Temp Employment - Clerical
Dental Ins. Reimbursements	Office Telephone	Term Life Ins.
Dental Premiums	Office Telephone - Long Dist	Term Life Ins. - OPT
Depend Life Ins.- Optional & AFLAC	Office Utilities - Other	Uniform Rent and Cleaning Expenses
Depreciation - Computer	Office Water	UPS & Air Freight
Depreciation - Office Furn.	Operations - Office Supply Stores	Xerox
Depreciation - Office Struct.	Operations - Telephones LD	
Depreciation - Telephones	Operations - Cleaning Supplies	
Director Fees	Operators - Memberships	
Disability Insurance	Operators - Other Office Exp	
Employ Finder Fees	Operators - Postage	
Employee Ins. Deductions	Operators - Publications/Subscriptions	
Employees Education Expenses	Operators Education Expense	
Engineering Fees	Operators Expense	
Envelopes	Operators Telephones	
ESOP Contributions	Operators Trans Reimbursement	
FICA Expense	Other Emp Pens & Benefits	
Franchise Tax	Other Insurance	
FUTA	Other Misc General	
Gasoline	Other Office Expense	
Health Costs & Other	Other Office Maint	
Health Ins. Premiums	Other Outside Services	
Health Ins. Reimb	Other Trans. Exp.	
Income Taxes - Federal	Payroll Services	
Insurance	Pension Contributions	
Interest - Interco.	Postage	
Interest During Const	Printing & Blueprints	

Item (30)(a)

**Rate Base Allocated from
Water Service Corporation**

A/D - Communication Eqpt
A/D - Mainframe Computer
A/D - Mini Computer
A/D - Office Furniture & Equip.
A/D - Office Structures
A/D - Telephones
A/D - Tools Shop & Misc. Eqpt
Accumulated Deferred Income Taxes
Communication Eqpt
Comp System Amortization
Comp System Cost
Def Chgs - Emp Fees
Def Chgs - Other
Land & Land Rights
Mainframe Computer
Micro System Amortization
Micro System Cost
Mini Computer
Misc. Regulatory Comm. Exp.
Office Furniture & Equip.
Office Structure & Improv.
Other Plant in Progress
Telephones
Tools Shop & Misc. Eqpt
Water Plant in Progress